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SUMMARY RECORD OF THE 3rd MEETING

Held at Headquarters, New York,
on Wednesday, 20 February 1991, at 10 a.m.

President:	Mr. PIRIZ-BALLON	(Uruguay)
later:	Mr. OKEYO	(Kenya)
later:	Mr. PIRIZ-BALLON	(Uruguay)

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The meeting was called to order at 10.25 a.m.

ADOPTION OF THE AGENDA

1. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to adopt the agenda for the Special Session contained in DP/1991/L.2/Rev.1.

2. It was so decided.

ORGANIZATION OF WORK

3. The PRESIDENT said that, if he heard no objection, he would further take it that the Council wished to approve the proposed organization of work for the Special Session (DP/1991/L.2), on the understanding that it would be applied with necessary flexibility.

4. It was so decided.

PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE: SPECIAL PROGRAMME RESOURCES (DP/1991/5)

5. Mr. EDGREN (Assistant Administrator and Director, Bureau for Programme Policy and Evaluation) said that Special Programme Resources would increase from 5 to 7 per cent of programmable resources in the fifth cycle, as an expression of the Governing Council's desire to bring new ideas into regular intercountry and country programmes and to strengthen the emphasis on the six programme themes of decision 90/34, paragraph 7. The SPR level would be sufficient to maintain and sometimes increase traditional use of those resources and, at the same time, provide an effective response to the call for building national capacity. Areas such as aid coordination, disaster mitigation, assistance to the Palestinian people and technical cooperation among developing countries would continue to receive an important share of those resources.

6. The six priority areas were discussed under the heading "thematic activities". The two basic qualifying criteria for SPR allocations for those activities were that SPR funds would be used for the development of new concepts and methods, and their "mainstreaming" during the cycle so that resources other than SPR would become involved in the six areas, ensuring that SPR allocations acted as seed funding for UNDP and other donor resource flows.

7. In order to better reflect priority areas in the many country programme reviews and new country programmes due to start after 1 January 1992, the Administrator had proposed that $10 million of fifth cycle earmarkings be released in advance of the new cycle to help interested countries orient their country programmes. He also urged a deliberate effort to increase joint programming among SPR, regional and global programmes.

(Mr. Edgren)

8. Two of the six focus areas, the Management Development Programme (MDP) and TCDC, had established patterns of operation, and guidelines for the other areas would be developed in the near future. Management arrangements would ensure that design, approval, execution, monitoring and reporting of SPR projects would be based on the same principles as projects funded under indicative planning figures (IPFs). Proposals would be even more carefully evaluated, in view of their experimental and pioneering character.

9. As a result of suggestions made by several delegations during the June 1990 Governing Council meeting, some changes in earmarkings had been made. Under disaster mitigation, $5 million had been transferred from reconstruction and rehabilitation to a new category, refugees and displaced persons. The Human Development Report had been continued for a fourth year, with some additional funding dedicated to country initiatives. In the area of poverty alleviation, it was felt that a separate allocation should be made for women in development activities. Since the projects were intended to reach poor women, the funding could be taken from the allocation already made. The Management Development Programme had been extremely well received, and its continuation was strongly supported. Therefore, $5 million had been added to mitigate the reduction in the current cycle. The Special Plan for Economic Cooperation in Central America (PEC) and the United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD) were closely associated with joint programming with other multi- and bilateral funding agencies, and as a result, had been entered under field coordination activities. The biggest change was reflected under new initiatives, showing an increase from $20 to $32 million, basically from unallocated funds. That increase reflected the need to incorporate a number of initiatives such as HIV/AIDS, drug abuse control crop substitution, and reinforcement of the private sector development initiative.

10. Mr. KOIKE (Japan), referring to some of the SPR activities to which his delegation attached particular importance, said that his delegation supported the steady efforts regarding disaster mitigation, the importance of which was demonstrated all too frequently by the tragic consequences of natural and other disasters in developing countries. It also welcomed the continued improvement in the quality of human development reports. It was of the view that an in-depth study should be conducted to develop more concrete policy orientations at the regional and country levels.

11. Another important SPR activity was the strengthening of national capacity in the six focus areas designated in decision 90/34, paragraph 7. His delegation hoped that environmental management could help to incorporate environmental concerns into national programmes and projects. UNDP could play a unique role in incorporating new initiatives into national programmes. The Special Plan for Economic Assistance to Central America (PEC) was of great importance, and should receive an appropriate share of SPR.

(Mr. Koike, Japan)

12. Ensuring project efficiency was a major concern of both donor and recipient countries. Further expansion of national execution would make evaluation increasingly important, confirming the value of allocating adequate funds for that purpose.

13. In order to determine the allocation of limited resources among various proposed activities, his delegation would welcome more specific information concerning how resources had been utilized in the fourth cycle, and about planned fifth cycle programmes under each item. In the fifth cycle, the amount allocated to SPR would increase to 7 per cent of programmable resources, giving even greater responsibility to the Administrator and Governing Council for ensuring efficiency. His delegation requested that reports on SPR be presented annually for review by the Governing Council and the Standing Committee for Programme Matters.

14. Mr. KELLAND (Denmark), speaking on behalf of the Nordic countries, said that more information was needed on the intended uses of the outlays under the SPR headings, and why specific allocations came under the headings proposed rather than under others. The main purpose of SPR allocations was to have a catalytic effect on special priorities. SPR allocations must be closely linked with country programmes.

15. His main areas of concern were making a distinction between themes enumerated in decision 90/34, paragraph 7, and other thematic activities, the priority to be accorded to those themes, the priority of other thematic activities, and the risk of spreading UNDP resources too thin and not concentrating on areas of comparative advantage. While the proposals in DP/1991/5 focused on the six themes from decision 90/34, the heading "thematic activities" included allocations to other themes. A clear distinction should be made between themes specifically enumerated in decision 90/34 and other themes.

16. Significant allocations should be made for poverty alleviation, environmental management development, TCDC, and women in development. The allocation for the Management Development Programme, however, was too modest. Although it should be primarily financed from IPFs, the programme had proved its usefulness and was an area where UNDP had a comparative advantage. Moreover, such assistance was crucial for ensuring progress towards increased use of national execution. Furthermore, transfer and adaptation of technology for development should be given a specific allocation rather than being grouped with other themes.

17. The Nordic countries wished to propose a more logical rearrangement of programmes that would include, in the category "thematic activities", only the themes dealt with in decision 90/34, paragraph 7. All the other thematic activities currently listed in paragraph 5 of document DP/1991/5 would be transferred to a separate category entitled "other special activities", which would also include the remaining items currently under "new initiatives/innovative approaches". The subcategory "field coordination activities" would be deleted. Within the new heading "other special activities", there should be three subcategories, one for the Human Development Report, a major innovation; one for

(Mr. Kelland, Denmark)

PEC; and one for all the rest. It seemed appropriate to give the same special treatment to PEC as to the Management Development Programme, and also to allocate the same amounts, as during the fourth cycle. All the areas grouped together in the third subcategory were of some importance, but there was a question as to whether they would not be more appropriately dealt with under the country programming process and/or in the regional, interregional and global programmes rather than by UNDP. Private sector development, specifically, would fall more naturally under MDP. The Nordic countries would not oppose a small allocation for the new third subcategory, but SPR should be directed primarily towards special priorities.

18. The Nordic countries welcomed the proposed increases in allocations for disaster mitigation and for national technical cooperation assessment and programmes (NaTCAPs). NaTCAPs could have a considerable bearing on making technical assistance more rational and on giving recipient Governments and donors a clearer picture of technical assistance needs. Also, it was crucial for UNDP to be able to use its field network in disaster situations to provide initial assistance to Governments and pave the way for efforts by emergency organizations proper, while also providing assistance in the grey areas between emergency assistance and development assistance. Closer co-operation, for instance, was needed between UNDP and UNHCR in the area of refugee assistance, and the Governing Council should be kept informed of such division of labour. As to the sharply increased allocation for disaster mitigation, the question of the size and character of UNDP activities in that field should be kept open. The General Assembly was scheduled to discuss the future role of the United Nations in disaster relief operations at its coming session and could then provide further guidance on the matter. One solution might be to cut the allocation and increase the contingency reserve correspondingly, on the understanding that the amount transferred was to be used for disaster purposes, if needed.

19. The proposed rearrangements and downgradings would not, of course, release enough funds to cover the increased allocations for MDP, technology transfer and PEC, and some modest savings would thus be required in other areas, probably those which had received the steepest increases as compared with the fourth cycle. It would be advisable to have the Administrator's view on where cuts might be made, and also to have a clearer picture of what a number of the allocations, especially under "other special activities", were actually meant to finance.

20. Mrs. SHAFER-PREUSS (Germany) observed that, unfortunately, neither document DP/1991/5 nor the related conference room paper provided the information needed for decisions on SPR priorities. No information had been given on current spending, on an assessment of the success or failure of fourth-cycle SPR activities, on fourth-cycle needs or future needs, on changes in priorities, or on funding from global and interregional programmes as against SPR funding.

21. Her delegation therefore proposed that the Council should go immediately into informal consultations that would deal with concrete figures and precise assessments.

22. The PRESIDENT said that the Council would go into informal consultations as soon as possible, after the remaining substantive statements had been heard.

23. Mr. JASINSKI (Poland) said that his delegation concurred in general with the reasoning behind the proposed SPR allocations. It agreed that programme development should be emphasized, that SPR allocations to countries and regions should be based on quality criteria and ensure universal access to SPR funding. SPR should be used to advance the policies outlined in decision 90/34. Noting that the enumeration of activities under the various categories in document DP/1991/5 was not exhaustive, his delegation agreed that a certain flexibility should be left to the Administration within the broad policy mandate of decision 90/34. It felt sure that SPR would be used also to support projects, under the appropriate headings, to facilitate changes in those countries whose economies were in transition, to which specific reference had been made in decision 90/34.

24. Mr. RADZI (Malaysia) observed that document DP/1991/5 contained no magic formula but did offer a helpful basis for the Council's work. The Administrator was to be commended for having consulted various resident representatives as part of a promising approach that sought to involve recipient Governments in decisions affecting their future development.

25. With regard to the earmarkings proposed in that document, his delegation did not object to the shifts in the order of presentation of SPR activities from those outlined in the annex to decision 90/34, provided that the shifts did not reflect any order of priority. A specific indication should be given of the amounts to be allocated to each SPR activity, thus serving to guide developing countries in their own allocation of resources to such activities. Malaysia noted with concern that the proposed allocation for the programme on assistance to the Palestinian people had not been increased in the fifth cycle, unlike most others, despite the obvious need of the Palestinians for greater resources under their increasingly difficult conditions, and hoped that the Council would rectify that situation. It also hoped that SPR increases would attract more bilateral donors.

26. Mr. RADE (Netherlands), expressing dissatisfaction with document DP/1991/5, said that not enough background had been given on why decisions had been made to distribute the resources as indicated. The conference room paper issued purportedly to give the required information gave useful indications of how SPR would be managed but little information on their purpose and focus or the kind of programmes to be financed. In his statement earlier, the Assistant Administrator had explained what figures had been changed since June, but not why the figures had been chosen in the first place.

27. The Netherlands would like to see more funds allocated for the alleviation of poverty, one of the crucial areas, and disagreed with the reasoning that had shifted funds from that category to others covering some poor people. It was not convinced that funds for disaster mitigation, an area where many other organizations were also involved, should have been increased so substantially. It would like more information on UNDP-UNHCR cooperation on assistance to refugees and displaced persons to be sure that the activities in that area were well

(Mr. Rade, Netherlands)

coordinated. Lastly, it considered MDP to be an efficient programme and would like to see its SPR increased.

28. Management of SPR was essential. There should be a close linkage between SPR allocations and country IPFs and SPR should be used as seed money.

29. Document DP/1991/5 indicated that access to SPR would be universal, which would mean that the funds would be allocated on first-come, first-served basis and thus that those countries best equipped to present good proposals would acquire the major share. While the Netherlands opposed a precise geographical distribution of SPR, it might be useful for the Council to give a broad political signal that the main focus in SPR allocation should be on the poorest countries; with a further assessment in two years' time of how, precisely, the funds had been used.

30. At the present moment, the Council did not have enough information to make any clear-cut decision on SPR allocations.

31. Mr. BORBON (Observer for Costa Rica), speaking on behalf of the Group of Latin American and Caribbean States, said that SPR were of particular interest to the region, which had been most severely affected by funding cuts, both regionally and by country, despite the fact that it was going through one of the most acute economic and social crises in its history, further complicated by the effects of the Gulf War. The kinds of interests that had had to be reconciled during the very delicate negotiations at the Council's thirty-seventh session were reflected in the annex to decision 90/34. The allocation of resources proposed in document DP/1991/5 did not, in the view of his Group, take into account the agreements and understandings reached during those earlier negotiations on the fifth cycle. SPR should be used to complement regional and national programmes which, because of their urgency or particular international interest, required UNDP support and it should be distributed at levels that allowed programmes to function efficiently. SPR for disaster mitigation should not be reduced beyond a point that allowed a manoeuvring margin, because of the unpredictability involved. TCDC, the most effective mechanism for promoting South-South cooperation, should be a major UNDP priority, as it was in decision 90/34. UNDP should also adequately support programmes on the transfer and adaptation of technology for development. Programmes which supported project preparation were equally important, as were programmes for the alleviation of poverty, the protection of the environment, drug abuse control and crop cultivation, to all of which UNDP must allocate adequate resources. MDP had proved successful and was a programme from which all countries could benefit. PEC should also be given priority, and should receive the same level of funding as in the previous cycle, so that the region could continue the efforts begun, pursuant to the Esquipulas accords, to establish a firm and durable peace and a process of democratization. If the Council did not approve the requested allocation, as stipulated in General Assembly resolution 45/231, the work done thus far would remain incomplete and it would be difficult to advance the economic and social development of the region. PEC should be treated as a separate item in the distribution of SPR, as indicated in the annex to decision 90/34.

(Mr. Borbon, Observer, Costa Rica)

32. The Group of Latin American and Caribbean States had been very flexible in the negotiations on the fifth programming cycle. The themes listed as SPR priorities were the minimum acceptable if UNDP was to have a positive impact on development.

33. Mr. Okeyo (Kenya) took the Chair.

34. Mrs. AMARASEKARA (Sri Lanka) said that SPR earmarked for poverty alleviation should be increased instead of being reduced by 50 per cent. Poverty alleviation was the ultimate objective of all other activities and was crucial to the success of efforts in such areas as environmental management development. Direct intervention was essential, but Governments needed technical support in order to be able to intervene directly to alleviate poverty. Although measures such as the Management Development Programme and NaTCAPs helped improve management capabilities, the Administrator should look for innovative and less expensive ways of strengthening national capacities. Allocations for transfer of technology and disaster management should be increased and a clear distinction should be made between the six thematic activities spelt out in paragraph 7 of decision 90/34 and other themes. Information was needed regarding the use of resources in SPR-funded projects as a means of evaluating SPR programmes.

35. Mr. BARAC (Romania) said that his delegation had supported the decision to raise the level of SPR to 7 per cent of programmable resources in the fifth cycle. It endorsed the strategy proposed by the Administrator in document DP/1991/5 for the SPR allocations, including such key elements as basing allocations to individual countries on quality criteria, ensuring universal access to SPR, and using SPR in closer conjunction with intercountry and global programmes as well as country programmes.

36. Like other Eastern European countries, Romania was confronted with very specific problems in the transition from a planned economy to a market economy. It had embarked upon a comprehensive programme of economic reforms, involving the privatization of State enterprises, the establishment of small-scale and medium-scale enterprises, the reform of the banking and financial systems and the liberalization of prices, among others. Its need for trained managers of market-economy enterprises was tremendous. A UNDP/MDP exploratory mission to Romania the previous September had made very useful recommendations for organizing the training activities of the newly established Romanian Institute for Management and had also proposed the allocation of additional SPR resources under MDP for the reform of the economic management system. Romania hoped that those proposals would be given positive consideration.

37. Romania was experiencing special economic hardship as a result of its full compliance with Security Council resolution 661 (1990), and it should be noted that the relevant Security Council Committee had invited the United Nations agencies concerned to provide immediate assistance to Romania in that respect.

38. Mr. PAULINICH (Observer for Peru) said that priority topics for Peru were PEC, technical co-operation among developing countries, poverty eradication, MDP and drug abuse control/crop substitution. His delegation was concerned to note that the last of those themes was included in the category "new initiatives/innovative approaches" without any specific earmarking of resources. During the special session decisions would have to be taken on the allocation of SPR; in order to comply with the spirit and the letter of decision 90/34 each theme should be allocated specific resources.

39. Mr. MARTINEZ SALAZAR (Spain) said that SPR for the fifth programming cycle were important in strengthening and supplementing activities in areas funded by IPFs, which, in the case of one region, had been substantially reduced. The proposed earmarkings for "disaster mitigation" were acceptable. Under the category "thematic activities" the increased earmarking for the Human Development Report did not appear to be justified given that the first Report had cost $1.6 million, including starting costs, and therefore the original figure of $5 million should be sufficient, but the increased earmarking for the Management Development Programme was justified. There was no explanation as to why PEC and UNPAAERD were included with other unspecified activities under the same heading, making it difficult to assess the specific merits of each proposal; it was essential that the two budget items should be separated as they had been previously. The resources proposed were totally inadequate: PEC alone required $20 million. The General Assembly had called for PEC to be provided with appropriate resources; PEC was essential to reinforce peace and democracy in the area. Spain supported the new initiatives relating to drug abuse control/crop substitution and regretted that the theme had not been mentioned in the Administrator's report.

40. Mr. BABINGTON (Australia) said that he was pleased to note that UNDP had attempted to use the framework of six priority areas which had been identified in decision 90/34 and he encouraged UNDP to continue focusing support on those areas. It was difficult to predict levels of expenditure and the need for flexibility was accepted; however, the allocation of funds should be done in as precise and forward-thinking a manner as possible. It was surprising that the proposal to allocate 10 per cent of total fifth-cycle SPR to the category "new initiatives" had been made with little supporting detail provided and no disaggregation for individual items. No indicative amount had been suggested, for example in respect of acquired immunodeficiency syndrome (AIDS), an important issue which deserved specific and substantial earmarking. The Australian delegation was also concerned at the relatively small allocation proposed for poverty alleviation. Funding levels for MDP should be maintained. Australia supported the proposed allocation for aid coordination activities. The proposed allocation of resources for disaster management was acceptable, provided that there was no duplication of the work of the Office of the United Nations Disaster Relief Coordinator; an increased allocation for emergency relief would also have been welcome. The Council was being hindered in making important decisions by a lack of information as to how SPR would be programmed, allocated, reviewed and approved.

41. Mr. BORJA DE MOZOTA (France) said that the amount of SPR should be related to the real value of UNDP total resources and consequently the figures discussed should be percentages rather than fixed sums. The Administrator's figures were based on an assumption that global resources would grow by 8 per cent, which seemed excessively optimistic. The allocation of 7 per cent of total resources to SPR was, however, appropriate. Approval of the sums earmarked should not be taken to imply that their disbursement should be left to the discretion of the Administrator; the Council should decide as to the general use to which such resources should be put. General UNDP policy guidelines should continue to apply: special programmes should not be used as a means of providing social assistance, which was not the function of UNDP. His delegation opposed the use of SPR to support poverty alleviation, drug abuse control and certain programmes relating to disaster relief and any earmarking of resources for such uses. A clearer distinction needed to be made between regional programmes and special programmes. Although France was in favour of maintaining support for PEC now that its implementation was already under way, other regional programmes would more appropriately be funded by fifth cycle indicative planning figures. Although the Human Development Report was an important activity, and a particularly suitable one for UNDP, the allocation of $8 million appeared excessive; likewise the proposed allocation of $10 million for "women in development" was unacceptable given the existence of a specific special fund, UNIFEM. The resources earmarked for the "new initiatives" category, which included several themes moved from the "thematic activities" category because they fell outside the specific area of responsibility of UNDP, should be reduced by half. The Management Development Programme should, however, be reinforced.

42. Mrs. KEPPENS (Belgium) stressed the importance of SPR as an instrument for stimulating new ideas and approaches and integrating them with national, regional and interregional programmes. Certain categories of programme, such as those relating to refugees, the environment, poverty alleviation and drug abuse control, were of particular importance to Belgium. NaTCAPs were also important but it would have been easier to express an opinion as to the amount to be earmarked for that category of activities if the promised evaluation had been available. The allocation to the Management Development Programme should be increased and an allocation of $20 million to PEC would be supported.

43. The absence of detailed information regarding the use of SPR was regrettable; more information should have been made available concerning the use of SPR in the fourth cycle and the criteria and reasoning on which the Administrator had based his proposals for the fifth cycle. The Governing Council could not reach a proper decision as to the distribution and allocation of SPR without the necessary information; the Administrator should in future be required to present a programme document for each category of SPR and provide delegations with regular information regarding the utilization of the budget. The Administrator's reasons for seeking the immediate release of $10 million of fifth cycle SPR funds were understandable but such a course of action would not be in accordance with sound accounting or administrative practice.

44. Mr. KABIR (Observer for Bangladesh) said that the increase in SPR allocations in the fifth programming cycle would help countries maintain and increase their efforts in traditional areas as well as in new initiatives and would particularly assist the poorest countries. With regard to the changes in proposed SPR earmarkings, it was disappointing to note that although the allocation for the category of "disaster mitigation" had been maintained, the allocation for "reconstruction and rehabilitation" had been reduced; it should be restored to its original level. The allocation for poverty alleviation had been reduced by half in spite of the linkage to environment and development and the allocation to "women in development" was not an adequate substitute. Adequate attention had been given to environmental management development, but there was perhaps a need for further attention to be given to technical co-operation among developing countries. Allocations to various items under the heading of "new initiatives/innovative approaches" needed to be spelt out in order to increase transparency.

45. Mr. GUERRERO (Philippines) said that the increase in funds for disaster mitigation was deeply gratifying in view of recent distressing events including the recent earthquake in the Philippines and the Gulf conflict. He hoped that some of the resources allocated under the heading "reconstruction and rehabilitation" might be applied to the rehabilitation of the thousands of people who had lost their livelihoods as a result of those events. The preparation, publication and dissemination of the Human Development Report was appreciated; however, in view of possible confusion between the general concept of human development and the more specific concept of human resources development as an economic tool for the implementation of priority development programmes, it would be useful to include a more precise and in-depth study of human resources development in the Report. Poverty alleviation was a matter of the highest priority and although other areas in need of funding contributed to the alleviation of poverty, more resources needed to be allocated to measures aimed directly at its eradication. The allocation of funds to the important area of environmental management development was welcome and the relationship between country programming initiatives, NaTCAPs and the Management Development Programme was important in developing the capacity for self-help. The willingness and enthusiasm of developing countries to help one another would be encouraged by the increase in resources allocated to technical co-operation among developing countries. The proposal to use SPR to fund PEC for an additional period of three years was very welcome.

46. Mr. Piriz-Ballón (Uruguay) resumed the Chair.

47. Mr. MAYORGA CORTES (Nicaragua) commended the report of the Administrator (DP/1991/5) on its interpretation of the decisions taken at the thirty-seventh session of the Governing Council, particularly with respect to the six focus areas, which accurately reflected the needs of Nicaragua and most developing countries. His delegation agreed that transparency was required in the management of SPR and recognized the importance of their catalytic and innovative nature. It also agreed that SPR should bolster efforts by recipient countries to carry out their national projects and programmes.

(Mr. Mayorga Cortes, Nicaragua)

48. Governing Council decision 90/34 and the annex thereto formed the basis for the allocation of resources in the fifth programming cycle. His delegation therefore disagreed with the Administrator's decision to include the Special Plan of Economic Cooperation for Central America "field coordination activities". Nicaragua thus appreciated the proposal by Denmark and the Nordic countries to accord priority to PEC under the "thematic activities" category and allocate to it the amount which had been allocated in the fourth programming cycle. It should be stressed that the Central American countries in no way wished to compete with their African brothers in seeking Special Programme Resources from UNDP.

49. The Central American request was fully justified on a number of political and technical grounds, the first being that PEC was functioning well in what had been one of the most volatile regions in the world only a short time earlier. The request was also justified by General Assembly resolution 45/231, particularly paragraphs 2, 9 and 10.

50. The fundamental these underlying the Special Plan were pacification, democratization and the integration and social and economic development of the five Latin American countries. Full political support for the Special Plan had been expressed in the decisions adopted by the three summit meetings of Central American countreis held in 1990 in Montelimar, Nicaragua; Antigua, Guatemala; and Puntarenas, Costa Rica. The first summit meeting had hailed the Special Plan as a valuable instrument in supporting pacification and the democratization process in the region. At the second summit meeting, the principles of Esquipulas I and II had been reaffirmed, together with the concept that there could be no peace without economic development. A decision had been taken to give impetus to a Central American development strategy through the Special Plan. Lastly, in Puntarenas, the Central American Presidents had referred to the adoption of General Assembly resolution 45/231 and had urged the Governing Council to approve the $20 million requested by the region. Thus far, $12.8 million in Special Programme Resources had been allocated to projects under the Special Plan. Projects for the balance of $7.2 million were to be approved in 1991, which marked the end of the first phase of the Special Plan. Projects costing $22 million had been identified for the fifth programming cycle, exceeding the request.

51. As a result of the Special Plan, a regional consensus on development had been built up in Central America and forums for consultation at the subregional level had gradually been developed. In only three years, the Special Plan had provided broad support to the preparation of technical cooperation and pre-investment projects in Central America. More than 50 technical cooperation projects had been prepared, 36 of which were in progress, and still other projects were being contemplated.

52. At the first meeting of cooperating countries in the Special Plan, held in July 1989, emphasis had been placed on achieving substantive progress in pacification and democratization; adopting and initiating effective economic stabilization and structural adjustment processes; and establishing clear and more rigorous economic and social development priorities. The Central American countries had made enormous strides in every respect.

(Mr. Mayorga Cortes, Nicaragua)

53. Among the significant examples of those achievements were the resolution of the Nicaraguan conflict and the promising negotiations undertaken in El Salvador and Guatemala for a negotiated political solution to the Salvadoran conflict. Of particular importance was the political progress which had culminated in the existence of five Central American Governments rooted in democracy and elected by their own peoples.

54. Mr. KOSTOV (Bulgaria) said that, in general, his delegation supported the priorities outlined in document DP/1991/5, a number of which were particularly significant for Bulgaria during the transition to a market economy. In that connection, SPR could play an important role in national capacity-building. His delegation attached great importance to MDP and hoped that it would be expanded during the new cycle. The reduction in the resources for that programme was regrettable.

55. The questions of ecology and development were becoming ever more significant. In that connection, his delegation welcomed SPR financing for global environmental initiatives, the incorporation of environmental concerns in national programmes and project development, and the effective utilization of available resources for environmental activities. His delegation also supported using the funds for the new and innovative approaches described in paragraph 37.

56. Referring to the comments concerning the development of national capacities made by the Administrator, he said that concrete steps were necessary in order to implement the decisions of the Security Council on providing temporary assistance to countries affected by the Persian Gulf crisis within the overall UNDP strategy.

57. Mr. HADID (Algeria) said that the increase in SPR for the fifth programming cycle attested to the value of SPR programmes. "Traditional" SPR activities, particularly disaster mitigation, enjoyed his delegation's full support. Those "traditional" activities should also include measures to control locusts and Mediterranean fruit flies and to wipe out the screw-worm fly.

58. Technical cooperation among developing countries should also be stepped up with the dual objective of generating TCDC flows and promoting TCDC as a means of carrying out certain projects. Some allocation, however modest, should be made to support regional and subregional integration among developing countries.

59. His delegation wished to stress its support for the programme of assistance to the Palestinian people. As the Malaysian representative had pointed out, it was regrettable that the allocations proposed were lower in real terms than those of the fourth cycle.

60. As a country whose IPF had continued to erode with each new cycle, Algeria attached particular importance to the potential role of SPR to act as a catalyst in elaborating programmes and as a means of introducing new thematic activities. New thematic activities were meant to supplement decision 89/20 on the role of UNDP in

(Mr. Hadid, Algeria)

the 1990s and General Assembly resolution 44/211 on the comprehensive triennial policy review of operational activities for development of the United Nations system. Linkage with country programmes would enhance the effectiveness of SPR activities. His delegation therefore supported the proposal, contained in paragraph 8 of document DP/1991/5, for the initiation of support activities to country programmes in 1991.

61. In conclusion, his delegation would appreciate clarification concerning the use of SPR to provide support to UNPAAERD and to future initiatives by the United Nations when the Programme expired.

62. Mr. FONDI (Italy) said that his delegation would have appreciated more detailed information in document DP/1991/5 on the reasons for the SPR amounts proposed. The priority areas outlined in paragraph 7 of decision 90/34 should be separated from other activities in order to highlight their importance. In view of the results achieved in the Management Development Programme, the level of allocations to that programme should be maintained, not reduced.

63. His delegation was strongly in favour of maintaining a separate line for the Special Plan of Economic Cooperation for Central America and heartily recommended renewing the fourth cycle allocation of $US 20 million in the fifth programming cycle. The co-ordinating role of UNDP in the special plan should be exercised fully, particularly in the light of UNDP's responsibilities with respect to the programme for refugees and displaced persons in Central America.

64. His delegation urged UNDP to carry out a systematic review of programming and needs assessment tools and procedures in order to avoid duplication and save resources. In the past, his delegation had repeatedly urged coordination of NaTCAPs and round-table exercises, for there was apparently significant overlapping between the two. His delegation had a deep interest in the line concerning drug abuse control/crop substitution within the framework of the United Nations International Drug Control Programme.

65. Mr. MISSARY (Observer for Yemen), referring to the General Assembly resolutions on flooding in Yemen and the need to provide support to the economic and social infrastructure of the newly unified Yemen, said that more resources should be allocated to natural disaster assistance, particularly reconstruction and rehabilitation. That would help the developing countries, in particular, the least developed countries, to counter the adverse economic effects of natural disasters.

66. Yemen was host to more than 800,000 refugees as a result of the Persian Gulf crisis and hoped that those special circumstances would be taken into account. His delegation also wished to stress the importance of poverty alleviation, environmental management development and the role of women in development. It joined the Algerian and Malaysian representatives in appealing for greater assistance to the Palestinian people.

67. In conclusion, his delegation hoped that the round table to be held in Yemen in 1991 in coordination with UNDP would explore the real needs of Yemen as a result of the floods it had suffered and its recent unification.

68. Mrs. DUDIK-GAYOSO (United States of America) noted with satisfaction that SPR had become an established mechanism within UNDP rather than being programmed on an ad hoc basis. The programming of those resources should be subject to the same standards of quality as IPF-funded programmes, and programme documents for each category and subcategory should be submitted to the Council for approval.

69. Before taking a decision on SPR, the Council should address the question of SPR categories. Her delegation welcomed the focus on the specific categories set forth in the annex to decision 90/34. In fact, those focus areas should be emphasized and others, streamlined. Her delegation would also appreciate information on new initiatives funded from global and interregional projects, on those items which were financed by SPR rather than GIP and on the relationship between the two. Some categories seemed to cover administrative costs, i.e., the allocation for the Special Plan of Economic Cooperation for Central America should be included in the administrative budget.

70. Referring to paragraph 18 of document DP/1991/5, she noted that the Programme's 1992-1993 proposed budget for programme support activity (PSA) and administrative services had not been circulated. Governing Council members should have some idea of the amount which staff costs would represent in the budget and whether those funds would be shown as a separate line item.

71. Her delegation would also appreciate clarification as to which types of research were funded from SPR and which from the Global and Interregional Programme. Moreover, the broad criteria for programme research (such as national capacity-building, human development, etc.) were not helpful in defining research priorities. The specific role of UNDP-funded research should be considered. While the links between SPR and the global and interregional projects were commendable, they should be made explicit, perhaps in an oral presentation during the current session or in a more formal report at a later stage. That would avoid uncertainties when GIP projects were approved for the fifth programming cycle.

72. Referring to disaster relief activities mentioned by other delegations, she said that UNDP's role was limited to its own mandate to fund technical assistance in the United Nations system. Her delegation looked forward to the results of the study on displaced persons called for by the Economic and Social Council, which should help to define UNDP's role with respect to displaced persons and returnees. UNDP's activities relating to drug abuse control and crop substitution should be consistent with the particular role envisaged for UNDP in the recently adopted United Nations International Drug Control Programme.

73. Unfortunately, the information on SPR allocation levels, using the fourth cycle as a basis, was insufficient. UNDP should provide, without delay, a three- or four-column table showing amounts allocated to each category or subcategory in the fourth cycle; amounts actually committed or expended; and amounts proposed for the fifth cycle. As the German representative had suggested, the decision-making process would also be facilitated if some explanation were given on past practice. A decision on SPR allocations should include an annual report of planned versus actual SPR commitment/expenditure.

(Mrs. Dudik-Gayoso, United States)

74. There should be a programming document for each SPR category or subcategory covering several years or even the full cycle, and providing for a mid-term review. The programming document should include a general description of the SPR category and its purpose; information on specific objectives of SPR activities and strategies for achieving those objectives; guidelines on activities to be financed, the eligibility of countries, limitations (i.e., regional restrictions), the use of expertise from the United Nations system, and complementary use of IPFs. Information should also be provided on specific criteria for approving SPR for individual activities; procedures for the design, approval and implementation of individual activities and funding requirements for both the fifth cycle and the following two years.

75. Some of those elements had already been provided but more specific information was needed. Clarification was also required concerning the internal management structure. Programme documents should be approved by the Governing Council, after which there should be no need for the Council to approve SPR projects as such.

76. UNDP should commit and disburse funds for SPR activities only after the Council approved a programming document for the category in question. It would be useful if the Secretariat could submit a timetable for the preparation of those programming documents to the June 1991 session of the Governing Council. Without knowing the actual usage of fourth-cycle SPR, her delegation would be unable to consent to an advance in the allocation and expenditure of fifth-cycle SPR.

77. In conclusion, her delegation welcomed the Secretariat's intention to conduct more frequent evaluations of SPR activities and to submit annual reports on progress and results.

The meeting rose at 1.15 p.m.

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Special session

SUMMARY RECORD OF THE 4th MEETING

Held at Headquarters, New York,
on Wednesday, 20 February 1991, at 3 p.m.

Chairman:	Mr. PIRIZ-BALLON	(Uruguay)
later:	Mr. OKEYO (Vice-Chairman)	(Kenya)

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The meeting was called to order at 3.10 p.m.

PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE: SPECIAL PROGRAMME RESOURCES (continued) (DP/1991/5)

1. Mr. KOCH (Canada) said that he agreed with other speakers, including the representatives of the Netherlands, Germany, Belgium, Italy and the United States of America, that the information contained in the documents before the Governing Council and in the statement by the Assistant Administrator was not sufficient for sound decision-making by the Governing Council. He also agreed with previous speakers that there should be a separate allocation for the Special Plan of Economic Cooperation for Central America. Canada suggested that the Management Development Budget should be increased.

2. The Governing Council was in a rather difficult situation with regard to Special Programme Resources (SPR): on the one hand it lacked sufficient information to take well-founded decisions, and on the other hand it had been asked for a decision to allocate more to the World Summit for Children. His delegation suggested that two separate categories of activities dealing with children should be created: one for allocated SPR funds, and the other for unallocated SPR funds. The allocated category would include items for which sufficient information was available as well as 10 per cent of the allocations appearing in document DP/1991/5. The Administration would then be asked to submit the proper documentation and justification for each SPR item, which would be approved at future sessions of the Standing Committee for Programme Matters, the Budgetary and Finance Committee or the Governing Council.

3. Mr. ZONGWE (Zaire), speaking on behalf of the Group of African States, praised both the emphasis given in document DP/1991/5 to planned activities charged to Special Programme Resources in the fifth programming cycle and the fact that the level of those resources had increased. He agreed with the high priority given to disaster mitigation and to the problem of refugees and displaced persons. Recent events in Africa - in Liberia, Somalia and Zaire for example - and the suffering of the civilian population as a result of the Gulf war showed how serious the problem was and how important it was for UNDP to provide assistance.

4. His delegation also approved of the increase in resources for poverty alleviation. Those activities should be included under separate themes with regard to the Special Plan of Economic Cooperation for Central America and the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990. The African States believed that the Programme of Action was an important coordinating mechanism for African economic development recovery activities. That was reflected in General Assembly resolution 45/178, in which the Assembly, inter alia, called upon UNDP to continue to provide adequate resources and the assistance required for the full implementation of the Programme.

(Mr. Zongwe, Zaire)

5. With regard to human development, Zaire supported UNDP efforts to direct resources to the priority areas defined by the Council. It should be recalled that in paragraphs 4 and 5 of decision 90/34 of the Governing Council, concerning the fifth programming cycle, the Council reaffirmed the exclusive responsibility of the recipient country for formulating its national development plan, priorities or objectives, emphasizing that national plans and objectives were the only viable frame of reference for planning the operational activities of the United Nations system for development. It was important that UNDP, through its resident representatives, should be able to increase its efforts to achieve that goal, working together with the Governments of the recipient countries. The national capacity of African countries must also be increased within the framework of the establishment of Africa's overall capacity.

6. Namibia urgently needed assistance in order to rebuild its economic future. At its most recent session the General Assembly, through resolution 45/198, had decided to give Namibia special consideration in support of its economic and social development, in accordance with the resolution adopted at the Second United Nations Conference on the Least Developed Countries to include Namibia in the list of least developed countries, without prejudice to any decision the General Assembly might adopt at its forty-sixth session on the basis of the report to be presented to it by UNDP. Should the Governing Council see fit to take up the question at its current special session, the African delegations would be willing to submit a draft decision on the subject.

7. The African countries hoped that UNDP would pay special attention to the economic and regional integration of Africa. The allocation of Special Programme Resources to that task during the fifth programming cycle should facilitate work in such areas as formulating priority programmes, implementing the action plans of regional organizations, developing work plans for implementing action programmes and the possibility of minimizing or reimbursing the costs of belonging to an economic community to be created for that purpose.

8. Mr. ZHANG (China) said that Governing Council decision 90/34, on the fifth programming cycle, stated that Special Programme Resources should be used to supplement activities funded through the country indicative planning figures (IPFs) constituting an integral part of country programmes, taking fully into account the diverse needs of countries and regions. On the basis of those principles, his Government was of the view that, in concluding agreements on Special Programme Resources, account should be taken of how to integrate the various areas established by different recipient countries in order to improve the quality of country programmes.

9. China agreed in principle with the activities, categories and mainstreaming proposed in document DP/1991/5 for the fifth programming cycle, but had some reservations over the arrangements relating to the use of resources: for example, the document indicated that $US 8 million would be allocated to the preparation of a human development report.

(Mr. Zhang, China)

10. With regard to operational activities, both the Governing Council and the Second Committee of the General Assembly had emphasized the importance of further promoting technical cooperation among developing countries.

11. Further, the increase in assistance for disaster mitigation would alleviate the sufferings of the victims of disasters and enable recipient countries to augment their capacity for rehabilitation and economic reconstruction. Special Programme Resources for the fifth programming cycle had undergone a net increase of 65.4 per cent in comparison with the fourth programming cycle, whereas the rate of increase in technical cooperation for development and assistance for disaster mitigation was much lower and was below average. Moreover, the great majority of developing countries and the international community were extremely concerned to alleviate poverty, and it was to be hoped that the Governing Council would, at the current special session, take that concern fully into account in deciding on the allocation of Special Programme Resources to appropriate activities.

12. Mr. CADEIRO QUINTANA (Cuba) said that his delegation endorsed the statement made by the representative of Costa Rica at the third meeting on behalf of the Group of Latin American and Caribbean States, since it reflected its own views concerning Special Programme Resources.

13. Some of the figures contained in document DP/1991/5 should be reviewed. For example, the amount for disaster mitigation should be increased. The Special Plan of Economic Cooperation for Central America was currently in the thematic activities category, and document DP/1991/5 did not contain any proposal for the allocation of resources for the Special Plan. The Special Plan should be continued under the fifth cycle and $20 million should be allocated to it.

14. Similarly, the new initiatives/innovative approaches, in the programme development category, included activities in respect of which no budget had been determined. His delegation reiterated its support for drug abuse control/crop substitution. With regard to drugs, his delegation considered that a special programme should be established for a group of Latin American countries, with UNDP cooperation. The document also failed to detail allocations for non-governmental organizations, which were of such benefit to the developing countries. Another important aspect which had not been taken into account in the report was the transfer and adaptation of technology for development, one of the major themes of the fifth cycle. With regard to technical cooperation among developing countries, the figure appearing in the document, namely $15 million, showed no growth, and should be increased. Cuba supported assistance to the Palestinian people, which, given the circumstances, should be increased. An increase in those items would logically demand a reduction in others, a responsibility which should devolve upon the Administration.

15. Mr. PETTITT (United Kingdom) said that the United Kingdom had always considered Special Programme Resources as a source of finance for innovation and management initiatives and for the meeting of newly identified needs. His delegation supported the United States proposal that expenditure under Special

(Mr. Pettitt, United Kingdom)

Programme Resources should be authorized by the Council on the basis of a document explaining the purpose of the expenditure, while retaining an opportunity within the categories for necessary innovation. Expenditure under Special Programme Resources in a particular cycle should always reflect the practice and experience of activities in previous cycles. Information on rates of expenditure and delivery, requested by various delegations, would be useful in calculating the level of expenditure.

16. His delegation attached particular importance to the allocation of adequate resources for UNDP's contribution to international action on the acquired immunodeficiency syndrome (AIDS) and follow-up activities to the World Summit for Children, referred to by the representative of Canada, as well as to aid coordination. With regard to the allocation proposed for the Special Plan of Economic Cooperation for Central America, included in principle under the aid coordination category, he agreed with the view expressed by the representative of the Netherlands.

17. His delegation considered that an understanding had been reached in the June 1990 negotiations on the fifth cycle for the allocation of $20 million for the remaining years of the Special Plan during the fifth cycle. A similarly sizeable allocation should be made to the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, above and beyond the other UNDP resources available for that international effort. Lastly, with regard to the Danish suggestion that allocations should be regrouped to accord with priority areas identified in Governing Council decision 90/34, his delegation saw some advantage therein but considered that in the current list activities should retain the position they had had in the previous list.

18. Mr. CHEKAY (Union of Soviet Socialist Republics) agreed with the representative of the Netherlands concerning the inadequacy of information contained in document DP/1991/5. His delegation also thought that more attention should be paid to thematic activities, including the Special Plan of Economic Cooperation for Central America and the United Nations Programme of Action for African Economic Recovery and Development 1986-1990. In addition, the Soviet Union accepted the proposals submitted concerning the need to increase Special Programme Resources for assistance to the Palestinian people, since the resources allocated to reconstruction and rehabilitation activities had been unfairly reduced. That reduction was unacceptable, particularly in current circumstances.

19. Mr. SALES (Mozambique) said that previous speakers, particularly the representative of Zaire, had already expressed many of the views held by his own delegation concerning the importance of Special Programme Resources, their special nature and their catalytic role.

20. Nevertheless, he wished to know to what extent the Administrator's proposal provided for uninterrupted funding in future of current activities, such as the Second Transport and Communications Decade in Africa and the structural adjustment project. He shared the concern of the Nordic countries regarding the merging of

(Mr. Sales, Mozambique)

the Special Plan of Economic Cooperation for Central America and the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 under field coordination activities. Governing Council decision 90/34, in particular paragraph 36 and the annex concerning fifth-cycle allocations for Special Programme Resources, called, inter alia, for specific amounts in respect of the Programme of Action and other items. Regrettably, document DP/1991/5 did not contain any such figures. His delegation was in favour of the allocation of specific amounts under Special Programme Resources to the Programme of Action and the Special Plan of Economic Cooperation for Central America.

21. Paragraph 7 of General Assembly resolution 45/178, on the Programme of Action, specifically indicated the need for UNDP to provide adequate resources for the full implementation of projects and programmes undertaken in the framework of the Programme of Action. The 52 countries of the African continent suffered from recognized difficulties and Mozambique was somewhat surprised to note the complete ignorance on the part of some delegations concerning the situation of those countries. His delegation was also aware of the apparent hesitation on the part of some delegations concerning the possibility of establishing an allocation for the Programme of Action. In that connection, he stressed that, despite the major role of UNDP in the implementation of the Programme of Action, particularly through its direct participation in the Steering Committee, no specific allocation had been made to the Programme of Action over the past four years. With regard to possible initiatives concerning the use of allocations for the Programme of Action, he invited the Administration to submit specific proposals to the Governing Council, and to include such projects as studies of national long-term perspectives and capacity-building plans, as well as other, similar projects. It did not appear necessary to detail the modalities for the use of such resources, which would need to be formulated and determined by the Governing Council in due course.

22. He stressed the importance of the allocation of $5 million to refugees and displaced persons. All in all his delegation considered this sum to be rather limited, particularly given the scope of the problems requiring increased participation by UNDP. His delegation was extremely interested in participating in informal consultations on the question.

23. Mr. SAHA (India) expressed surprise that the amount of Special Programme Resources (SPR) allocated to poverty alleviation, had been reduced from $20 million (DP/1990/43) to $10 million in the current proposal. While poverty alleviation was a component of most other projects and the role of the SPR allocation was essentially catalytic, that role would doubtless depend on the amount earmarked and, consequently, the earmarking should be much larger or, at the very least, restored to its earlier level.

24. His delegation also wished to see an increase in the allocation for technical cooperation among developing countries (TCDC), given its belief that that modality had been underutilized despite its enormous scope. Moreover, the fact that the heading "new initiatives/new approaches" had not been disaggregated was not conducive to a clear idea of the amounts for the various components. His delegation therefore requested the Administrator to take measures in that regard.

25. Mr. MATHSHALAGA (Zimbabwe) supported the objectives of the Special Programme Resources (SPR) as contained in the report of the Administrator (DP/1991/5), namely, building national capacities by promoting human development through six focus areas and using them to strengthen and supplement activities in those areas funded by indicative planning figures (IPFs). As resources were scarce, the programme must necessarily play a catalytic role. In that connection, his delegation had reservations about the amount of resources allocated for field coordination activities, including the Special Plan of Economic Cooperation for Central America and the United Nations Programme of Action for African Economic Recovery and Development. In the fourth programming cycle, $20 million had been allocated to the Special Plan, but that same figure currently covered the Programme of Action as well. That seemed to indicate that the Programme of Action was not included under Special Programme Resources despite the need for UNDP assistance in Africa.

26. Referring to the persistent economic and financial problems of the African countries and to the results of the economic reforms undertaken, he said that the need to adopt long-term strategies was more readily apparent in such areas as human resources, development, population growth, women and development, poverty alleviation, environmental protection, the system of government, democracy and regional cooperation. Those concerns had been expressed at the high-level meeting held in the Netherlands in July 1990, at which it had been recommended, inter alia, that the African countries should prepare studies on long-term prospects and UNDP had been assigned a leadership role in collective activities.

27. His delegation agreed that the question of AIDS must not be included in the new initiatives category, but rather should be treated as a separate theme, to which sufficient resources should be allocated. Lastly, his delegation supported the earmarking for refugees and displaced persons in the disaster mitigation category, bearing in mind, in particular, the repercussions of that problem in Africa.

28. Mr. ZUPANJEVAC (Yugoslavia) highlighted the importance of the Special Programme Resources and the catalytic role they should be playing in strengthening IPF activities. The question was of great importance to Yugoslavia, whose fifth cycle IPF had been reduced.

29. Document DP/1991/5 focused special attention on the Management Development Programme, in which Yugoslavia had participated with very positive results. Those activities were essential for the reforms currently taking place in Yugoslavia, and his country was very interested in strengthening its cooperation with UNDP. Accordingly, his delegation noted with concern the reduction in the allocation to the Management Development Programme, which in the fourth programming cycle had been $60 million and in the fifth cycle had gone down to $35 million. That decision should be reconsidered.

30. His delegation also ascribed paramount importance to the theme of technical cooperation among developing countries under the thematic activities category and supported the continuation of the Special Plan of Economic Cooperation for Central America. His delegation was pleased to note the increase in the earmarkings for

(Mr. Zupanjevac, Yugoslavia)

new initiatives/innovative approaches in the programme development category, particularly with respect to the private sector, as that was a fundamental aspect of the reform programme being carried out in Yugoslavia, which included the redistribution of property and the privatization of some 700 companies. In conclusion, he drew attention to the cooperation between Yugoslavia and the Division for Private Sector in Development of UNDP.

31. Mr. AMAZIANE (Morocco) expressed his delegation's full agreement with the statement by the representative of Zaire as Chairman of the Group of African States. Referring to the allocation of $8 million for the human development report, he said that, while the first issue was excellent, the appropriation was too high and it should be spent on real development of such resources, not on discourse on the subject. He recommended reducing it for that reason.

32. His delegation also supported the statements by a number of delegations on the United Nations Programme of Action for African Economic Recovery and Development, as Africa was the poorest continent in the world and its economic difficulties were well known. The Programme must remain separate from the Special Plan of Economic Cooperation for Central America. The painful adjustments made by the African countries and the measures taken to bring about economic recovery must be recognized and sufficiently encouraged.

33. Referring to the private sector and the transfer of technology, he said that recent world events had highlighted the private sector and the market economy, so much so that they had become emblems of development. Many countries had initiated reforms and the privatization of public enterprises and, in view of the importance of technology in the twenty-first century, UNDP should allocate more resources to stimulate economic activities for development.

34. One element that was not included in document DP/1991/5 and should be mentioned was man-made disasters and, thus, the war in the Gulf. Unlike natural disasters, which could not be averted by human intervention, in the case of the Gulf war it was indeed possible to attempt to mitigate the damage suffered by women, the elderly and children, and the adverse ecological effects for the region and other developing countries. It was inconceivable that the United Nations and UNDP should be in the forefront of world events and not take up the issue, which was one of the most pressing and deserved the closest attention.

35. On the eve of the unification of Europe and the establishment of market blocs, his delegation urged developing countries to integrate and form economic and trading zones. It would be useful to provide for appropriations in support of such integration. His delegation supported the statement by the Algerian representative on the importance of pursuing multilateral goals and turning to neutral, apolitical, multilateral bodies. He noted that the amount of the current allocation for assistance to the Palestinian people was equal to that of the fourth cycle. In the current circumstances, imposed by the war, multilateral organizations should take action in order to safeguard the existence of that people, stressing its neutral, apolitical character and leaving aside political considerations.

(Mr. Amaziane, Morocco)

36. As the Special Programme Resources were centrally administered, many countries, like Morocco, did not receive them. Everyone was familiar with the IPFs, but when there was no local UNDP office they did not materialize. Morocco, for example, was underrepresented in international organizations and did not receive those resources. Consequently, his delegation requested the UNDP Administration and the Secretariat to prepare a document providing a country-by-country breakdown of SPR disbursements in the fourth cycle, which would amount to an accounting for Member States.

37. Mr. ROHNER (Switzerland) referred to the options considered by the Council in 1990, among them, allocating more Special Programme Resources to the Special Plan of Economic Cooperation for Central America. There were currently a great many programmes, which made it necessary to consider setting limits in order not to exceed actual means. His delegation trusted that the Administrator would provide information on how Special Programme Resources had been utilized in the fourth programming cycle.

38. His delegation favoured regrouping activities, regarding which various ideas had been formulated, and agreed with other delegations that the Special Programme Resources should serve as a form of supplement to the IPFs, both at the national and at the regional, interregional and international levels.

39. Another important theme mentioned had been mainstreaming. Many of the activities programmed could be strengthened in the mainstream. His delegation would appreciate information on the various SPR programmes and services, and wished to receive information from UNDP on the efforts deployed and the measures taken in order to accord priority to that question.

40. His delegation was also somewhat dissatisfied with the allocation of approximately 5 per cent for contingencies, for such a minimal percentage of SPR offered very limited flexibility in a five-year period. The contingency fund should stand at 10 per cent.

41. He agreed that programme guidelines should be formulated for the services mentioned. Also, consideration should be given to the submission of reports to the Council. It was obviously not to be expected that the Administration would submit close to 30 special reports on SPR; the reports could be staggered, so that it would not be necessary to review all activities performed with SPR-funding in the same year. Some reports could also be sent to the Standing Committee for Programme Matters.

42. He suggested that one of the first items considered should be aid coordination activities and that the Administration's intentions and plans for the use of the considerable volume of SPR allocated to aid coordination should be reviewed at the same time.

43. Mr. Okeyo (Kenya), Vice-President, took the Chair.

44. Mr. NYAMIKEH (Ghana) said that Africa was the continent in the most desperate straits in terms of socio-economic development. Natural disasters and, in particular, unjust international economic relations and conditions had plunged the continent into a socio-economic abyss from which it seemed impossible to emerge despite the successive remedial measures adopted. Africa surpassed all other continents in terms of hunger, disease, poverty, malnutrition and underdevelopment, to name but a few problems. Moreover, the modest economic growth recorded during the early years of independence had been eroded by the unprecedented fall in the price of commodities, which were Africa's main export goods.

45. In spite of all those debilitating factors, African countries had, individually and collectively, taken bold and concrete measures to overcome the socio-economic malaise, including the adoption of the Lagos Plan of Action in 1980, of Africa's Priority Programme for Economic Recovery (1986-1990), the African Common Position on Africa's External Debt Crisis, and the African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Transformation. The adoption of such plans and programmes was an indication of Africa's unrelenting efforts to address its economic crisis.

46. His delegation's main concern was with the United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD) which was coming up for final review, and the role played in it by the United Nations system and especially UNDP. It was saddening to note that, since its launching, UNPAAERD had not received adequate international funding. For reasons unclear to his delegation, UNDP participation in Africa's development efforts under that programme left much to be desired. That was clearly demonstrated by the failure to allocate SPR to UNPAAERD in both the fourth cycle and the cycle currently under consideration. On the other hand, it was fortunate that UNPAAERD would be the beneficiary of some of the $20 million that had been earmarked for field coordination activities. Both UNPAAERD and Africa in general should receive specific SPR allocations, and he appealed to the Council also to increase the SPR allocations for refugees.

47. He recalled that in resolution 45/178, the General Assembly called upon the relevant United Nations agencies and organizations, including the United Nations Development Programme, to continue to provide adequate resources and the assistance required for the full implementation of projects and programmes undertaken in the framework of the United Nations Programme of Action for African Economic Recovery and Development. Particular note should be taken of the private-sector initiatives in Ghana, to which the country had given special priority in that period of economic recovery. The African continent had developed a number of programmes - among them the national long-term perspective studies and the African Capacity-building Initiative - the success of which would demand the support of the United Nations system and UNDP in particular. In that context SPR took on special importance, and Ghana appealed to the Council to take the necessary steps to earmark funds for the projects in question.

48. Mr. DRAPER (Administrator) announced that, in response to the requests for more detailed information, the Administration would at the end of the meeting distribute a list of the total expenditures charged to SPR during the fourth cycle

(Mr. Draper)

(1987-1990) and of the expenditures budgeted for 1990 and 1991. With regard to 1990, only a preliminary estimate of expenditures was available; the final figures would be available in a month, but it was safe to say that the budgeted amount was fairly precise. In addition to the expenditures during the fourth cycle, the list included the proposals for the coming cycle. The fourth-cycle expenditures included expenditures charged to SPR. The list also contained a breakdown of the Management Development Programme. Lastly, the Administration would distribute copies of annex III of the document adopted in June 1990, together with an outline of the proposals put forward at that time and the changes made to those proposals. Such a detailed document on the matter had not been distributed because it had not been expected that representatives would wish to analyse the expenditures in such detail, but he trusted that the additional information would allow them to examine and study the proposals regarding the fifth-cycle SPR.

49. Mr. EDGREN (Assistant Administrator and Director of the Bureau for Programme Policy and Evaluation) explained that, if one dealt with SPR as with a country programme, at the current stage one should determine their general objectives and structure and establish a balance that reflected the Council's priorities, because it was very important to establish a general balance from the outset. In the case of SPR, certain activities of which the representatives were aware had been under way for some time, but many other new ones, related to the six themes under consideration, had to be conducted on a trial basis for later incorporation into the country programmes. During the fourth cycle, SPR-funded projects had in some cases already been executed and some projects and programme guidelines had been in the process of development, but there were also others that had not been initiated. He regretted that many representatives were dissatisfied because they had not received information on all the programmes, but it had not been the intention of UNDP to supply incomplete information. The Administration's aim was to formulate the various programmes and submit them to the delegations for consideration so that they could take decisions on the programme guidelines, the criteria to be applied in formulating them and the appropriate methods to be used in continuing to develop the various themes.

50. Some representatives had indicated that they could not take a decision on the figures in question because they had no background information on the programmes. In order to facilitate decisions on the matter, the programmes could be clustered within broad categories, as the delegations of the Nordic countries had proposed.

51. Questions had been raised regarding the relations between the interregional and global programmes and SPR, particularly with regard to research. The research on subjects of the broadest scope and most directly related to development and the dissemination of new findings was financed from interregional programme funds. The SPR-funded research was less extensive in scope and bore directly on UNDP programme needs. The global programmes corresponded for the most part to other international programmes (for example, research on tropical diseases and international agreements) and their aim was to expand the research capacity of the developing countries.

(Mr. Edgren)

52. Lastly, a $10 million advance from fifth-cycle SPR had been requested for the purpose of incorporating the new themes into the country programmes as of the current year. Many country programmes were currently being prepared, and UNDP wished to be able to count on specialized services in order to incorporate the themes at that stage, before it was too late. Although there was no question that new programmes were involved with which there had as yet been no experience, the purpose of the proposed advance was to take into consideration the themes included in the fifth-cycle country programmes.

53. The PRESIDENT said that, if he heard no objection, he would take it that the draft decision on the item under consideration would be drawn up on the basis of informal consultations.

54. It was so decided.

AGENCY SUPPORT COSTS (DP/1991/7)

55. Mr. TAL (Director, Planning and Coordination Office, UNDP) explained that, while in all the documents and the work programme the term "agency support costs" was used, the item under consideration was the "support costs successor arrangements". Decision 90/26 on the item was a landmark decision whose implementation was related to decision 90/21 on national execution. That decision was designed to lead to profound changes and improvements in the management, delivery and quality of United Nations technical cooperation activities. The decisions referred to had various objectives. First, they sought to facilitate the assumption by Governments of management of UNDP-financed programmes and for that purpose provided incentives for national execution. Second, they attempted to sharpen the technical focus of United Nations specialized agencies and strengthen capacities for technical support while limiting the resources for administrative and operational support to a necessary minimum. Third, they provided for greater openness and competitiveness in the provision of services. Fourth, the decisions sought to promote coherence and coordination in United Nations system operational activities. Finally, they assigned particular importance to ensuring that the relationship between United Nations agencies, UNDP and Governments was fully utilized, irrespective of execution modalities. It was hoped that the achievement of those objectives would lead to improvements in UNDP-financed technical cooperation activities.

56. The decisions recognized that to achieve all of the above required the concerted efforts of all partners in the development process. In particular, the Council urged the Administrator to work closely with United Nations agencies in order to agree on the most appropriate methods for the implementation of the provisions of the decisions. That consultative process had been under way for several months with very satisfactory results. The Administrator had been in contact with the executive heads of many agencies; there had also been discussions at the meeting of the Administrative Committee on Coordination held in October 1990 in New York, and there had been a continuous exchange of correspondence with several of the executive heads. In addition, the Administrator had held a series

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of meetings with various high-level representatives of the agencies, a process which had culminated in the joint meeting held at Geneva in November 1990. Other special meetings convened by UNDP had also been held for the purpose of analysing that item. In his view, the consultative process had been satisfactorily initiated, although it had not been easy owing to the divergent opinions of the various participants. Nevertheless, joint consideration had been given to the most constructive methods for responding to the legislative mandates of those organizations and the aspirations expressed by Council members.

57. The report before the Council (DP/1991/7) was an interim one, since the Council had requested that a progress report should be submitted in February, and the final report of the Administrator would be submitted to it at the June session. However, the report was quite detailed and provided information on the process followed thus far and the areas in which understandings were believed to have been reached on how UNDP proposed to operate the new regime. The progress report also covered some of the financial elements of the new regime as well as procedural aspects of the administration of the various facilities. That would enable the Governing Council to provide guidance to the Administration. Although the report assigned priority to certain quantitative aspects, in all the consultations with agencies and parties involved, the Administration had been acutely aware of the basic policy thrust of the legislation and the qualitative improvements in UNDP programmes. The Administration would continue to bear those aspects in mind in considering other issues not reported on and hoped to submit a comprehensive report in June, as called for in decision 90/26.

58. He hoped that representatives would accept the provisions described and agreements reached as one "package". In order to achieve satisfactory results, the proposals, particularly the financial proposals, should be implemented as a package. In the case of the financial proposals, the UNDP Administration had worked on the assumption that the Council wished to limit the total cost of the successor arrangements to 14 per cent of the programmable resources. According to estimates, in the fifth cycle, such costs would amount to approximately $625-650 million. A range was given rather than a single estimate because of the many variables involved and agreements to be reached. The Administration expected that the new regime of support costs arrangements would amount to $635 million, which was the figure provided for in the plans for the fifth programming cycle.

59. The proposals in the report established a distinction between the two regimes: what was called the new regime, as applying to the five large agencies, and the current regime, whose "essential elements" could continue to apply to the other agencies. With regard to the proposals relating to technical support services at the programme level, that facility would be demand driven. The methodological aspects of establishing demand for services on the basis of government needs had been worked out, although the modalities for establishing priorities still had to be discussed. At the project level, the machinery had been positively received by field personnel, as providing them with the tools with which to monitor effectively the implementation of projects, particularly nationally implemented ones. With regard to the establishment of an indicative planning

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figure subline for financing administrative and operational support for projects, the services of an independent consultant group had been contracted for that purpose. In conclusion, he explained that, according to his interpretation, paragraph 15 of decision 90/26, which mentioned the percentage of administrative and operational support costs, should refer to the overall percentage and not to each project separately.

60. The President resumed the Chair.

61. Mr. ANNAN (Assistant Secretary-General, Office of Programme Planning, Budget and Finance, Controller) said that, while there might be different interpretations of decison 90/26, all parties agreed with its objectives: Member States wished to achieve greater efficiency in the management and implementation of technical cooperation programmes. For that it was essential to have all efforts organized in the best possible way, although sooner or later consideration would have to be given to the question of available resources, which were rather limited.

62. With regard to the changes to be introduced, he emphasized the importance of not destroying existing mechanisms without ensuring that the new ones were fully developed and ready to function and represented an improvement over the old. In order to facilitate the transition from one system to another, many meetings had been held between UNDP and the agencies in order to devise modalities consonant with the decision of the Governing Council. He thanked the Administrator for agreeing to extend the flexibility arrangements with regard to reimbursement of support costs to cover smaller United Nations entities which functioned as executing agencies for UNDP.

63. Despite those positive developments, there were two areas which required further work: the size of technical services support at the project level (TSS-2), which was insufficient as currently proposed, and the transitional arrangements, which must be designed to ensure that the new regime could be introduced with minimum disruption.

64. Mr. FORBES WATT (United Nations Food and Agriculture Organization), speaking on behalf of the inter-agency group to study agency support costs, said that the new arrangements represented important changes for the agencies and should be considered in the context of General Assembly resolution 44/211. Many of the studies and resolutions of the agencies and governing bodies were oriented towards strengthening the role of Governments, increasing execution by Governments and decentralization and emphasizing initial-phase activities and technical support in cooperation for projects and programmes. The new arrangements were crucial for promoting that process and would have long-term consequences on the effectiveness that was sought. Referring to the preparation process, he pointed out that many consultations had been held between UNDP and the agencies and that the agencies had united under the auspices of the Consultative Committee on Substantive Questions (Operational Activities). Some differences with regard to the interpretation of decision 90/26 still remained to be clarified, and to that end it was necessary to have the Council's advice in order to further the preparation process further. The

(Mr. Forbes Watt, FAO)

resolution of those differences would to a large extent determine the future success of the arrangements. The technical and specialized agencies were the cornerstone of the multilateral system, and their function of providing technical cooperation support would be crucial for the successful implementation of the measures envisaged in the Council.

65. Mr. PETTITT (United Kingdom) said that document DP/1991/7 was the substantive report which had been requested by the membership the previous year and, together with the explanations which had been given, was what was required to gain the members' confidence in the process of building upon what had been agreed at that time. He felt that there had been progress, despite the difficulties in interpreting the decisions of the Council. There was a greater identity of views on the changes necessary in the tripartite agreement and on specific matters covered by decisions 90/26 and 90/34, relative to agency support costs and the fifth programming cycle respectively.

66. Nevertheless, he felt that there had been some errors in interpretation. The first dealt with the level of resources which the Council wished to set aside for technical support at programme level (TSS-1) and technical support at project level (TSS-2). For each of these categories, 2 per cent of the programmable resources had been set aside, in other words some $90 million. Whether the programmable resources were calculated as the total of the IPFs and Special Programme Resources or as the resources of the cycle minus the support costs and the various provisions described in paragraph 10 of decision 90/34, the figure was approximately $4,476 million, and 2 per cent of that was $90 million. The discussion with the agencies as regards the volume of resources had been based on a misunderstanding.

67. Secondly, there had been a misinterpretation of the intention of decision 90/34, with regard to the source of payment for administrative and operational services. The original intention had been that during the fifth cycle those services would be provided from the IPFs or from a part of the IPFs and that that would be the case regardless of whether the executing agencies adopted the new regime or not. The only payments of that type to be financed from central resources were those relating to projects started before 1992, those under the flexibility provisions and those needed under the currency protection scheme. The document appeared to say that the agencies which did not move to the new regime would be recompensed from a central line. He felt that the misunderstanding arose from the fact that paragraph 13 (d) of decision 90/34 referred to paragraph 3 of decision 90/26, whereas the paragraphs of decision 90/26 had been changed at the last minute, so that the reference was no longer accurate.

68. The third misinterpretation had to do with the handling of administrative and operational services, and specifically the preparation of a system which would lead to payments under the new regime not producing a rate of return greater than 10 per cent. As he recalled it, the intention had been to establish a group of services which would be paid for at differing standard rates in the form of flat payments which, once settled, would give the equivalent of 10 per cent. That would avoid the need to negotiate each project separately, and once the rates had been

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agreed there would be no need for any control. He understood that consideration was currently being given to setting up a control mechanism to limit reimbursements to each agency to 10 per cent of the value of the project, a notion with which he disagreed. The discussions with the various bodies had to be directed towards setting up rates which, once set, would give the intended result. All that was needed was a decision on the services to be financed, their average actual cost, the weightings to be used and whether any of the reductions should be calculated on a pro rata basis.

69. With regard to the topics in document DP/1991/7 requiring clarification, he referred firstly to the proposals as to which organizations should adopt the new regime and which should use the old one. There appeared to be a misunderstanding with regard to paragraph 6 of decision 90/26, in which the Administrator had been requested to give a report on each agency's capacity and readiness to provide the requisite services in the sector of its competence. The intention had been, in the case of agencies other than the five large ones, to enable the Administrator to judge whether they could continue to execute projects under the old regime without the difficulties which the new regime was designed to avoid. He felt that the Administrator should be asked to give a report on his negotiations with the agencies, in accordance with paragraph 6, to confirm his recommendation as to whether or not the agencies in question were indeed to continue to execute projects under the old regime. The report could refer specifically to ICAO and the United Nations agencies outside DTCD, for example the regional commissions.

70. The second topic requiring clarification was the question of when those agencies which had not been selected to adopt the new regime could change over to it: at any time after two years, or during the proposed 1994 review of the arrangements. Thirdly, he asked whether TSS-1 should be allocated during the first two years on the basis of the historic volume of activity of the agencies or on the basis of need, as stipulated in paragraph 9 of decision 90/26. The Administrator's proposal was really a short cut, but his delegation was inclined to accept it as a point of departure.

71. Fourthly, it had to be wondered whether there was sufficient information in the document on the rationale for TSS-2. Mr. Tal had undertaken to give more details in a future report. No decision had been taken in June 1990 as to whether TSS-2 should be handled by prior allocation to agencies after an estimate of need, taking account of country programmes, or on a project-by-project basis. It appeared that the Administration had inclined towards the second method, but his delegation felt that the next report should give explanations on the reasons for that choice, taking into account the opinions of the agencies themselves. Until the members had received the necessary clarification on TSS-2, no firm plans should be drawn up for its expenditure.

72. Fifthly, in the case of certain countries, including the United Kingdom, the agreement to transfer the payment for administrative and operational services from a central line to IPFs was based on assurances from the Administrator that the rules regarding national execution would be drawn up in a way ensuring that the

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decision whether or not to use agency execution would be taken on appropriate grounds. Members of the Council would wish to know the Administrator's thoughts on bringing such administrative questions before the Council: under the relevant agenda item or under item 4 (c) on national execution.

73. Sixthly, thought had to be given to the proposal that the rate for administrative and operational services should be settled in the autumn of 1991, after the Governing Council session, and to the question, if that were the case, of the arrangements required to keep the members informed of progress. That issue was the one area where action was running behind the original timetable. It could be left to the Administration to take the decision on the rates in the second half of 1991, but it would be useful if there were some form of report on progress in April, so that members would be able to take a decision in June.

74. Seventhly, the paper implied that no special arrangements were needed for transition. On that aspect his delegation would welcome the views of the agencies, particularly as the governing bodies of at least two of them had encouraged the adoption of transitional arrangements more pronounced than in the case of the transition arising from the carryover of projects approved in the fourth cycle. Of course, the need for transitional arrangements depended to some extent on the estimate of the level of resources which would be covered by the approvals given before January 1992. It would be adequate if the amount of resources confidently forecast over the first two years was sufficent to allow the agencies to prepare their regular or operational budgets for 1992-1993 and to start the redirection of staff from operations to support. The United Kingdom took the view that the Administrator should be asked to outline proposals for transitional arrangements, to ensure that the proposed changes on support costs would facilitate the objective of the phased reorientation of the major executing agencies away from project execution to policy advice and technical support for programmes.

75. Eighthly, with regard to the flexibility provisions it would be desirable to hear the views of the affected agencies, but the proposal for fixing the rates seemed to be in order. The United Kingdom would wish to hear more details on the inclusion of the small organizations within the United Nations, including the regional economic commissions, in the flexibility provisions, and on whether there was a genuine resources problem for UNDP in that regard. It was necessary to determine whether the smaller United Nations agencies could actually receive flexibility payments or whether their expenditures were covered within the conventional 13 per cent.

76. Further proposals had been promised on those areas on which consultation was continuing. Those included arrangements for monitoring the new arrangements, protection against currency fluctuations, the handling of trust funds and the system of cost-measurement. The United Kingdom wished to know whether the arrangements for currency fluctuations were intended to cover all agencies outside the dollar area or only those retaining the former regime.

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77. Clearly the Council would have to give guidance to the Administrator not only in the discussion but also through any decision it adopted. The decision should cover the following ground: clarification of the three points he had mentioned about which there might have been errors of interpretation; a request for further information on most of the points he had mentioned, either in the report to be prepared for the thirty-eighth session or in a supplementary document; any points on which a particular decision or guidance would be needed, such as monitoring and the financial authority requested in paragraph 29 of document DP/1991/7; perhaps a request that the allocations for support costs and the figures for IPFs, including the additional 10 per cent, should be forwarded to the Council for noting at its thirty-eighth session; and guidance on the extent to which the members should be involved in further work on that subject between the present time and the June 1991 session. His delegation would be happy to participate in the elaboration of such a decision in an informal drafting group.

78. Mr. SHOJI (Japan) said Japan was pleased with the consultations held between UNDP and the agencies and with the progress achieved to date. Nonetheless there were still some problems to resolve. During the thirty-seventh session of the Governing Council, Japan had suggested several guidelines for formulating a new support-cost arrangement, of which he would summarize two: first, the new support-cost arrangement must be formulated in such a way as to promote natural execution, which would lead to greater efficiency and sustainability. Second, the arrangements must be in line with the principles of tripartite partnership, with more emphasis by agencies on technical support at the programme and project level.

79. It was difficult to give definite views on the details of support-cost successor arrangements, since negotiations between UNDP and the agencies concerned were still under way, and some important components of the arrangements remained to be worked out. As all the elements of the arrangements were interrelated, they should be examined in their totality. However, several preliminary observations could be made with regard to the major issues.

80. In the first place, the basis of calculation for TSS-1 and TSS-2 was still a source of disagreement. Decision 90/26 had mandated that 2 per cent of programmable resources should be earmarked for TSS-1 and another 2 per cent for TSS-2. An orthodox reading of the decision appeared to support a mode of calculation based on programmable resources as a whole. None the less, the Administrator's report pointed out that that approach would create a double accounting problem, which his delegation considered to be at variance with the intention of the Governing Council. Consideration should also be given to how the levels of TSS-1 and TSS-2 would affect the level of agency support costs as a whole. If all programmable resources were adopted as a basis for calculating TSS-1 and TSS-2, that would inevitably lead to higher overall costs. In consequence, a pragmatic approach must be adopted whereby TSS-1 and TSS-2 could be calculated differently on the basis of their own merits. His delegation welcomed the convergence of views between UNDP and the agencies as to the level of resources for TSS-1 (80 million dollars) and hoped to see the outcome of further consultations on the resource level for TSS-2.

(Mr. Shoji, Japan)

81. In the second place, it was important that the new agency support costs should function efficiently, effectively and transparently. His delegation had a keen interest in the decision-making process regarding the involvement of the agencies in the TSS-2 and administrative and operational services. The Administrator's report indicated that the Resident Representatives determined the need for as well as the desirability and extent of such involvement. Ensuring that the decision concerning agency involvement was made objectively and transparently had very important implications for the functioning of the new arrangement as a whole and for the future functioning of the tripartite system. Clear guidelines must be established so that agency participation would not be unduly hindered.

82. In the third place, there was the problem of the transfer of administrative and operational services to a subline of the IPF. The Governing Council had decided to transfer those services to a subline of an individual country's IPF in order to create a mechanism of incentives for national execution. When a project was executed efficiently and economically and its administrative and operational costs were less than the amount allocated to the subline, the excess would be added to the IPF, thus creating an incentive for the Government concerned to be more closely involved in execution. He hoped that that mechanism would be applied not only to projects that came within the competence of the five big agencies but also, in principle, to all projects of a country's IPF which were to be implemented by other agencies.

83. In the fourth place, the report's proposal that the flexibility provision should be expanded to include the United Nations Conference on Trade and Development (UNCTAD) and the Economic and Social Comission for Asia and the Pacific, which so far had not been beneficiaries, would nearly triple the cost of the flexibility provision under the fifth cycle compared to the fourth cycle. The Governing Council had not taken any explicit decision to extend coverage to those units. Should it do so, his delegation would like an explanation as to why those units needed additional financial support.

84. Mr. DEMONGEC (United States of America) expressed his concern that UNDP and the major sectoral agencies remained far apart on the issue of funding TSS-2. In his opinion, decision 90/26 provided a framework for expanding and strengthening the partnership between UNDP and the major sectoral agencies. In order for that partnership to function effectively, UNDP support cost arrangements should encourage those agencies to strengthen their analytical and technical capacities, become more responsive to the needs of developing countries and support their efforts to improve national planning and management capacities. The growth of national execution, in particular, would require a significant restructuring of the tripartite partnership between UNDP, the major sectoral agencies of the United Nations system and the recipient Governments. The agencies must assume a more prominent technical appraisal, monitoring and evaluation role in relation to UNDP-assisted projects in their respective areas of competence, as indicated in paragraph 10 of UNDP Governing Council decision 90/26.

(Mr. Demongec, United States)

85. UNDP-assisted projects must receive more effective technical support in their design and implementation. His delegation agreed agreed with UNDP that technical support needs must be identified on a case-by-case basis, and it was essential that the needs should be translated into specific action, such as improved product design, more frequent visits by qualified headquarters staff and more intense tripartite reviews and evaluations which focused on the achievement of project objectives. The UNDP Resident Representative should have a say with regard to the professional qualifications of agency headquarters staff for technical backstopping and the timing of their visits to the field.

86. Those specific project-level needs must be translated by the agencies into improved processes at headquarters. That in turn required a firm commitment of resources on the part of the agencies and clear funding commitments on the part of UNDP. Therefore, UNDP should make a distinction between the long-term technical support required throughout the project cycle and other self-contained, one-time activities which might be performed by either the agency or outside experts. He strongly believed that the first category of services should be jointly funded from TSS-2 funds and agency regular budget funds, whereas the second category should be financed from IPF funds or the Project Development Facility. That would ensure that essential backstopping activities would not be curtailed in order to fund demand-driven activities.

87. Given that the principles of partnership and cost-sharing were based on the recognition that the regular programme activities were complementary to UNDP technical cooperation activities, the Governing Council should be concerned to ensure that the sectoral agencies received a predictable and stable level of support-cost earnings since, if those earnings were to decline drastically, the agencies would be forced to divert resources from crucial activities in order to maintain an under-utilized administrative and operational support capacity that could only be reduced gradually, mainly through staff attrition. It was therefore important that the UNDP Office for Projects Execution or its field offices should not take over the agencies' administrative and operational support role under the guise of national execution.

88. In his delegation's opinion, national execution of UNDP-assisted projects should proceed hand-in-hand with national capacity-building; likewise, UNDP should help Governments and national institutions to assume full responsibility for project management and assign a lower priority to the purely administrative support functions performed by United Nations organizations.

89. He regretted that UNDP had not submitted a progress report on its consultations with Governments and agencies concerning the implementation of Governing Council decision 90/21 on national execution, as had been promised by the Administrator in response to a number of requests. The new arrangements for UNDP funding of operational and administrative support services should encourage greater national execution and in the long run promote competition among the executing agencies. From that standpoint, it was essential that all payments in the IPF subline should be made on the basis of a single set of uniform rates for like

(Mr. Demongec, United States)

services, applicable to all executing agents. That implied that the agencies remaining under the old support cost regime should either continue to be reimbursed in full from a centrally funded line or be reimbursed partially from the IPF subline at the new standard rates, with the balance paid out of a centrally funded line.

90. His delegation hoped that any decision taken by the Governing Council at the special session would conform to the spirit, if not the letter, of its decision 90/26.

91. Mr. BOGNER (Austria) said that among the key questions on which the Governing Council would have to adopt decisions at its thirty-eighth session was reimbursement of agency support costs, which was not a small improvement in the system but represented, rather, the introduction of a radically new mechanism. Austria favoured the adoption of reasonable reforms whenever necessary, but also attached great importance to preserving a system which had proved to be useful. Certainly the sponsors of decision 90/26 clearly understood the issues analysed at the thirty-seventh session of the Governing Council, but if decision 90/26 were to be compared with the fifth programming cycle figures it would have to be acknowledged that there might have been misunderstandings.

92. His country, which acknowledged UNDP efforts and those of the working group set up to draft joint proposals to submit to the Council for consideration, urged those concerned to do whatever possible to draft proposals that would be acceptable to all and at the same time to take into account the agencies' requirements for transition. He was ready to take part in the preparation of a draft decision that would set the directions for future work.

93. Mr. SAHA (India) attached great importance to finalizing a cost-effective and fair successor arrangement as early as possible so that the new regime could be in place by 1 January 1992. Reorienting the system to the needs of the present day did not mean discarding everything from the past. The availability of alternative options did not pose a threat to an agency but could rather spur it to perform better. No matter how specialized its role might be in the context of multilateral technical cooperation, that role could not be altogether divorced from considerations of cost and efficiency. Furthermore, the successor arrangements were also critical to strengthening the foundations of national execution. That modality of execution should provide a singular opportunity for learning and acquiring important skills, which could have a profound impact on the process of development and should be an overriding consideration.

94. Up to then, the services provided by the United Nations agencies had fallen below their specialized capabilities, and such dilution of effort could easily be avoided. It was satisfying to note from the report that the five agencies listed in paragraph 3 of decision 90/26 had indicated their keen interest in providing technical services and their capacity to do so, subject to the availability of adequate resources. His delegation supported the new regime and believed that the total costs of the successor arrangements in the fifth programming cycle should not

(Mr. Saha, India)

exceed the amounts which had been earmarked in the financial envelope for fifth cycle resources. UNDP had not yet submitted any document indicating a specific figure for support costs; according to his delegation's calculations, they would amount to $634 million, a figure very similar to the $635 million referred to by the Director of the Planning and Coordination Office and corresponding almost exactly to 14 per cent of the field programme resources, which level, in the view of the majority, represented the outer limit of what should be spent on support costs.

95. He recalled that, in accordance with decision 90/26, 2 per cent of programmable resources must be earmarked for TSS-1 and another 2 per cent for TSS-2. The Governing Council had clearly intended that 2 per cent of the value of the projects to which technical services were provided would be spent to support the technical services provided by agencies; that idea, however, was expressed ambiguously in paragraph 8 of the decision. Mention was made in that paragraph of setting aside a sum equivalent to 2 per cent of programmable resources for those purposes in the fifth cycle. The phrase "programmable resources for those purposes" could be interpreted as a reference not to total field programme resources, but to resources corresponding to the mandated sectors of the selected agencies. The only reasonable interpretation that was in harmony with the decision was that the percentages related to programmes and projects in the sectors relevant to the selected agencies. Therefore, he had difficulty in accepting the earmarking of $80 million for TSS-1, as such support should not exceed $35 million, which was 2 per cent of half of the field projects approved after 1 January 1992. Nor was there a clear indication of the basis on which it had been assumed that all nationally executed projects necessarily fell within the mandated sectors of the five large agencies. If that was not the assumption, the Secretariat should explain why the agencies would provide technical support for nationally executed projects in fields outside their mandate. Even if the implicit assumption was valid, TSS-1 would be approximately $44 million, which was the Secretariat's estimated figure for TSS-2. Accordingly, the impression was given that the level of funding for TSS-1 and TSS-2 would be equal, so that the five agencies would be entitled to receive between $70 million and $88 million, an amount far smaller than the $124 million which the Secretariat had earmarked for that purpose. If the five agencies were paid $124 million for technical services, such payments would represent from 5.7 per cent to 7.2 per cent under the new agency support cost arrangements, which was far in excess of the 2 per cent available to them under the existing regime.

96. Moreover, given the $635 million available for support costs and the resources that would have to be earmarked for support costs to other agencies and for administrative and operational support, the total amount that would be available for TSS-1 and TSS-2 would be from $89.7 million to $107.4 million, depending upon the decision to be adopted by the Council with regard to extending the flexibility provisions to subsidiary organs of the United Nations and to the International Trade Centre. He would appreciate hearing from the Secretariat as to how the gap between those figures and the $124 million which had already been earmarked could be bridged.

(Mr. Saha, India)

97. He also wished to have a clearer idea of the manner in which UNDP proposed to allocate TSS-2 among various countries and hoped that it would be allocated proportionally. In his view, the best way in which support costs for technical services could be provided for during the fifth cycle would be to subtract TSS-1, TSS-2 and the flexibility provisions from the $634 million set aside for all support costs and to distribute the balance among the IPFs and the Special Programme Resources in proportion to their sizes. The support cost allocations corresponding to the intercountry IPFs and Special Programme Resources could be included in a subline, and there could be another support subline in the IPF of each country, from which all support costs in the next cycle would be paid.

98. With regard to the question of extending the flexibility provisions to subsidiary organs of the United Nations which so far had received the standard 13 per cent reimbursement, he was not entirely comfortable with that measure, since it would cost some $18 million. Apparently, those subsidiary organs, which faced none of the disadvantages of the small agencies, had not experienced major problems under the earlier regime. He therefore questioned why the support cost reimbursement should be increased by 50 per cent when attempts had focused precisely on reducing such costs. Clearly, it had not been foreseen that the reference to the Department of Technical Cooperation for Development in decision 90/26 would have such far-reaching effects.

99. He agreed that the agencies, in particular the smaller ones, required some kind of protection against currency fluctuations. Such protection should cover fluctuations in exchange rates between the finalization of a contract and the date on which payments were received. However, in a hypothetical case in which the cost of a project was revised upwards in the same proportion as the dollar depreciated against the local currency, the agency would automatically be protected against such depreciation. In such a hypothetical situation, it was unclear why the agency should be compensated. Even if the project costs did not change in proportion to the fluctuations of the dollar, which was much more likely, it was unclear why a five-year moving average should be adopted, although the agencies normally received the bulk of the support cost payments long after the finalization of the contract. Moreover, it might be unwise to press an agency to credit funds to UNDP in case the dollar should appreciate in value against the local currency if there was no accumulated credit in the currency fluctuation account. In such cases, a record of what would otherwise have been due from the agency should be kept and that sum should be subtracted from future compensation payments.

100. Mr. DE MOZOTA (France) said that the purpose of the reform was not to enlarge the sphere of competence of UNDP to the detriment of the agencies but rather to clarify the role of each of the parties and to promote national execution. He welcomed the efforts made by the Administrator to clear up the differences with the agencies and hoped that a satisfactory agreement could be reached which would promote the interests of the developing countries in particular. Currently, there were two groups of agencies: those which had availed themselves of the new arrangements and those which had not done so. Document DP/1991/7 stated that some of the agencies which were not subject to the new arrangements had indicated that

(Mr. de Mozota, France)

they would be interested in keeping the option open. He wished to know which agencies those were and which ones continued to have strong reservations concerning the new arrangements. With regard to the sum earmarked for technical services support, it appeared to be satisfactory at the programme level, but at the project level it was not at all correct. His delegation believed that 2 per cent of the resources earmarked for agencies should be allocated to each project separately and not on an overall basis. Likewise, he stressed the absolute necessity of entrusting the financial evaluation of projects to agencies outside UNDP; such activities should be reported on regularly to the Council.

101. Mrs. PRADEL (Germany) said that the report under consideration encompassed many questions which required further consultations and clarification, since their complexity and the hasty manner in which they had been handled had given rise to various interpretations on which a decision had to be taken. In her view, the process of taking a decision should be accompanied by an awareness of the overall financial implications of the new regime, and especially of the objectives to be achieved through it, chief among which was improving the quality of programme delivery. While she had reservations concerning the fact that the allocation of TSS-1 during the first two years would not be based on the needs of countries, she was prepared to accept it on the understanding that, in the future, the allocation would be determined by substance and not by mathematics. Her understanding was that the programmable resources mentioned in the decision referred to the total resources, resulting in an amount of $90 million; accordingly, the argument of UNDP that the projects approved prior to 1 January 1992 - which continued to be subject to the current regime - should be deducted from the resource base was invalid, since TSS-1 activities bore no relation to the projects. The 2 per cent of programmable resources for TSS-2 had been set up as a working hypothesis only. The final determination had been intended to be based on an analysis of the adequacy of current funding arrangements for technical services at the project level. As that analysis, which was to be undertaken jointly by UNDP and the agencies, had not yet been made, it was difficult to decide upon an adequate rate. However, since the current technical services were profoundly inadequate, the amount for TSS-1 would have to be substantial. She did not support the complicated project-by-project procedure for TSS-2 as proposed by the Administrator, and would prefer a method similar to that of TSS-1. In accordance with decision 90/26, only the five agencies subject to the new regime and those wishing to adopt it in the future should have access to TSS-1 and TSS-2; accordingly, she noted with surprise that according to chart 2 on pages 26-28 of document DP/1991/7, UNDP had access to TSS-2 for technical appraisal and approval. With regard to administrative and operational services, she would appreciate clarification as to why the calculation of the amount which was to be transferred to the country IPF subline in order to fund such services was based on the total programmable resources rather than on the country IPFs only, as had been stipulated in the decision. It was her understanding that that would result in double accounting.

102. He was also concerned at the delay in the cost study and its consequences because, as a result, the Council would be unable to decide on the clusters of services, including lump sum payments. With regard to the contents of the future

(Mrs. Pradel, Germany)

study, he understood that it would cover not only administrative and operational services but technical services at the project level, so that it would be possible to make recommendations about the standard costs to be applied to TSS-2. Those standard costs and differential rates should be uniform for all agencies. However, it was necessary to have information on the absolute costs and the level of participation in the financing of the expenses of UNDP and the agencies.

103. His delegation strongly supported the Administrator's proposal to continue to finance the support costs for all agencies not subject to the new system of financing from central resources. With regard to the transitional arrangements, he considered that the proposed safeguards would be insufficient to prevent sharp decreases of income for the agencies in the first years of the new system and that it would be necessary to work out additional arrangements for that purpose.

104. Because of the importance of monitoring and evaluating a support cost system which could bring about major but as yet unknown changes in the operational activities of the United Nations, his delegation was concerned at the lack of progress so far. It hoped that in the months to come the agencies and UNDP would make an effort to ensure that indicators were established which would allow for the detection of undesirable consequences. In that context, he emphasized the importance of the workability of the new system. Finally, he renewed his request for steps to be taken to ensure that execution and implementation arrangements were satisfactory under the new system.

105. Mr. ZHANG (China) said that the criteria for the application of agency support costs had been established in principle in the 1970s. During the last 30 years, the United Nations had undergone important changes in that area. In response to the new trends and needs, UNDP had since the beginning of 1990 carried out a series of informal consultations with the member countries and the specialized agencies. His delegation was aware of the considerable work carried out by UNDP in that respect.

106. Given the fact that the question of the reimbursement of agency support costs was very complicated, it was easy to understand that there had been differences of opinion on how to solve it. His delegation considered that it was necessary to take into account the capacity of the recipient countries to carry out the projects and programmes. Some specialized agencies had acquired a great deal of experience in helping the beneficiary countries to carry out programmes and projects. It was important to continue to rely heavily on their capacity, their knowledge and their experts, so that the multilateral cooperation would continue to be based on a tripartite relationship between UNDP, the recipient countries and the specialized agencies.

107. It was to be hoped that during the reform process the agency support costs would be readjusted so as to improve management and technical capacity. In Council resolution 90/26 it was stated that in future support costs would be divided into three categories: TSS-1, TSS-2 and administrative and operational project support. His delegation proposed that the use of TSS should be based on a decision

(Mr. Zhang, China)

by the Administrator and, more specifically, the permanent representatives in consultation with the Governments of the recipient countries. In addition, a reasonable estimate should be made so that future costs did not exceed past costs. His delegation agreed with the proposal made by the Administrator in his report increasing the amount to be drawn from the UNDP budget to cover the study of the differential rate structure.

108. Mrs. HELLSTROM (Sweden), speaking also on behalf of Denmark, Finland and Norway, said that Governing Council decision 90/26, combined with other major legislation, placed the operational activities of the United Nations on a course of change and reform, and added that that decision was the first step towards putting the new system into operation. In the process, the Council should not lose sight of the main objective of the new system, which was first and foremost to serve the interests of the developing countries. After praising the work done by UNDP and the agencies, she noted that much remained to be done particularly in relation to TSS-1 and TSS-2.

109. She expressed the hope that all agencies would eventually join the new system and supported the Administrator's recommendation that further consultations should be held with the other agencies in the course of 1993 and that the Council should review the issue in 1994. She considered that the system should be constructed so that agencies which wished to join it should be able to do so as quickly as possible.

110. The issue of support costs was closely related to that of national execution. National execution must, however, be genuine national execution, and, considering that circumstances varied considerably from country to country, the transition must be gradual.

111. The introduction of TSS-1 and TSS-2 were major innovations which divorced part of the support cost payments from project volume. The Nordic countries firmly believed that the calculation of TSS-1 and TSS-2 should be based on the proportion of programmable resources executed by the agencies covered by the new arrangement and should of course include all programmable resources and not only the resources of the country programmes. They also supported the Administrator's decision to maintain available resources at the proportion corresponding to the projects approved before 1 January 1992, which had been established under the previous system.

112. The Nordic countries were opposed to any change in the distribution of costs between UNDP and the agencies and, in order not to pose any obstacle to a compromise which would be acceptable to the other parties, would reluctantly agree to an increase from 13 to 14 per cent of the support cost ceiling under the new system.

113. The most important thing was that the new system should work. Once that had been achieved, the TSS-1 and TSS-2 allocations could be added after the fifth cycle. But at the present stage the 14 per cent ceiling should not be exceeded.

(Mrs. Hellstrom, Sweden)

114. If the concept of TSS-1 was to be meaningful, the use of the funds under that window must reflect the needs identified by UNDP and the developing countries. Any automatic distribution of TSS-1 funds, even initially, would negate the concept. It would be helpful if a more detailed description of how TSS-1 funds were to be utilized could be prepared for the June 1991 meeting of the Council.

115. Document DP/1991/7 did not fully reflect what were intended to be the modalities for TSS-2. It did not seem appropriate to establish a connection between the allocation of those funds and the respective IPFs in the first year. A predetermined allocation project by project would not provide sufficient backstopping for national execution.

116. It would also have been helpful to have had in the June proposals the final rates for the various categories of administrative and operational services, although she was aware that the calculation of those rates was a time-consuming process. It went without saying that the rates should be submitted to the Governing Council for approval.

117. She noted that it was her interpretation of decision 90/26 that the overall support costs under that item were to amount to an average of 10 per cent for all the agencies under the arrangement taken together. The 10 per cent rate was a working hypothesis, but arrangements should be made to ensure quick adjustment of the standard rates for the different services in order to bring the end result into line with the working hypothesis.

118. Not enough attention had been given to cases of partial agency implemenation of nationally executed projects. The question of whether the agencies would, in such cases, receive the rates applicable to the categories for whose execution they were responsible should be clarified.

119. It was to be hoped that in further elaborating the new system the Administrator would take into account the need to improve the coherence of the United Nations system. Progress had been made towards the introduction of profound changes and, with the new arrangement, the quality of the assistance provided by the United Nations would improve appreciably.

The meeting rose at 6.30 p.m.

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SUMMARY RECORD OF THE 5th MEETING

Held at Headquarters, New York,
on Thursday, 21 February 1991, at 10 a.m.

President:	Mr. PIRIZ-BALLON	(Uruguay)
later:	Mr. SOUTTER (Vice-President)	(Canada)
later:	Mr. PIRIZ-BALLON (President)	(Uruguay)

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ANNUAL REVIEW OF THE FINANCIAL SITUATION: STATUS OF THE SYSTEMS REVIEW PROJECT AND THE FEASIBILITY OF DEVELOPING A COMMON SYSTEM

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The meeting was called to order at 10.15 a.m.

AGENCY SUPPORT COSTS (continued) (DP/1991/7)

1. Mr. ROHNER (Switzerland) expressed the hope that UNDP-financed technical cooperation activities would be more clearly defined under a successor arrangement for agency support costs. The new arrangement should involve recipient countries and promote accountability to a greater degree than its predecessor. To that end, the Council must concern itself first and foremost with the content of the assistance provided and how to obtain the best results from each project. UNDP, Governments and agencies should therefore avoid taking a "black-or-white" approach (i.e. agency versus national execution), but rather seek the best possible mix of execution modalities.

2. His delegation attached great importance to the consultations currently being held. Considerable clarification was still necessary with respect to amounts, percentages and the content of the three new categories: technical services support facilities (TSS-1 and TSS-2) and administrative and operational services (AOS). As TSS-1 was a new facility with no basis for comparison, it would be more helpful to consider amounts rather than percentages. For the time being, his delegation was satisfied with the apportionment of funding between UNDP and the agencies.

3. With respect to TSS-2, content, volume and figures must be specified. His delegation would have preferred a higher allocation for TSS-2. It also wondered whether the 10 per cent indicated for AOS as a working hypothesis would be maintained, or whether it should be lower, and looked forward to whatever clarification might be provided by a study on costs and differential rate structure. Lastly, his delegation endorsed a number of comments which had been made earlier by the representatives of the United Kingdom and Germany.

4. Mr. KOCH (Canada) said that while his delegation appreciated the effort made by both UNDP and the agencies, it was disappointed that so much of that effort had been focused on calculating the sums of money involved. It had hoped that greater progress would be achieved in the substantive elaboration of successor arrangements.

5. In providing input to the Administrator for the next phase of the process, the Council should focus on two main objectives. The first, and most important, was to improve the sustainability, effectiveness and impact of UNDP-assisted programmes, in part by increasing national responsibility for key aspects of the project cycle. In that connection, every effort must be made to ensure that UNDP efforts were attuned to national circumstances. The second objective was to offer the agencies appropriate incentives to sharpen their technical capacities and, at the same time, de-emphasize the operational aspects of projects. While the support cost regime could be helpful in that regard, it must be remembered that developing countries - not the agencies of the United Nations system - were the beneficiaries of UNDP programmes.

(Mr. Koch, Canada)

6. The overall financial levels for TSS-1 and TSS-2 might represent a realistic compromise between sharply divergent views. Pending receipt of the information on financing requested in paragraph 10 of Governing Council decision 90/26 on agency support costs, TSS-2 should be limited to involving agencies in projects only where they were not otherwise engaged. Support costs for large and small agencies alike should be integrated in the IPF sub-line as an incentive to national execution. Referring to the issue of flexibility provisions, he expressed doubt that the regime should be expanded to cover units such as the regional commissions of the United Nations.

7. Mr. HAMAI (Algeria) said that one positive by-product of the support cost regime had been the reassessment of the executing agencies' role; another had been the opening of in-depth dialogue between UNDP and those agencies. A flexible, gradual approach should be taken in introducing the new arrangements, in order to ensure a smooth adaptation by all parties concerned. The new arrangement should encourage national execution under the most favourable conditions and rational use of resources, while maintaining the tripartite nature of multilateral technical cooperation.

8. Mr. FONDI (Italy) expressed concern about the differences over very central issues in the successor arrangements for agency support costs. The actual needs under TSS-2 should be carefully considered. The experience acquired by the specialized agencies during TSS-1, particularly in the areas of agriculture and industry, was very valuable and must be safeguarded. The successor arrangements were not intended to penalize the agencies, but rather to benefit all parties concerned, particularly the least developed countries. New arrangements must be realistic and of sound technical quality. In the initial stages, a transitional arrangement would ensure a constant flow of resources to the agencies and avoid disruptions in their work.

9. Ms. GUNDUZA (Zimbabwe) said that her delegation supported the statement by the representative of India. Governing Council decision 90/26 was a useful framework for determining successor arrangements, and she welcomed the progress already achieved by both UNDP and the specialized agencies in that regard.

10. The total cost of the successor arrangements should not exceed the financial resources provided for in the financial envelope for the fifth cycle, i.e. a ceiling of 14 per cent of field programme resources. In the light of Governing Council decision 90/21 on national execution, the percentages in document DP/1991/7 for projects to be implemented by the five large agencies might be inaccurate or unrealistic. That decision contained incentives for execution of projects by recipient Governments, depending on their national capacity.

11. The proposal for central earmarking by UNDP to individual countries/programmes was not consistent with her delegation's understanding of decision 90/26 and clarification would be appreciated. Lastly, her delegation would welcome the

(Mr. Gunduza, Zimbabwe)

establishment of uniform AOS rates at the earliest possible date in order to avoid project-by-project negotiation. That would facilitate national execution by recipient Governments.

12. Mr. Soutter (Canada), Vice-President, took the Chair.

13. Mr. TAL (Director, Planning and Co-ordination Office, United Nations Development Programme) acknowledged that consideration of the financial envelope had indeed required more time than anticipated. Even so, from the outset, the larger substantive aspects of successor arrangements had been taken into account. Perhaps the annexes in document DP/1991/7 did not adequately reflect the amount of time and work required to formulate the new concepts before the Committee. Further information would not be available by the June 1991 session, but would be provided in 1992.

14. Replying to questions by a number of delegations on the allocation of funds under TSS-2, he referred to Governing Council decision 90/26, paragraph 10. The issue was not one of assigning priority among the projects of individual field offices, but rather of gearing response to need in each case. He wished to clarify that sub-line amounts were still subject to review. Precise details on Special Programme Resources (SPRs) and intercountry programmes would be furnished at a later stage.

15. Since an enormous amount of work had been required to study successor arrangements, somewhat less emphasis had been placed on national execution. That issue, however, was being closely reviewed in consultation with Government. A comprehensive report would be submitted to the Governing Council at the June 1991 session on national execution and its relationship to successor arrangements.

16. Replying to questions concerning administrative and operational services, he said that a progress report would be submitted to the Council at the June 1991 session on methodology and the consultant's preliminary findings on rates, but that a full rate structure would probably not be ready. In general, rates would be established for similar services, but they would not necessarily be identical for all services by all agencies.

17. Mr. AKRAM (Pakistan) said that his delegation had taken note of the consultative process by which the UNDP administration and the specialized agencies had formulated proposals for the successor arrangement. The issue of agency support costs, however, was larger than reimbursing specialized agencies for project execution. The real objective was to improve the functioning of tripartite execution and, as a first step, to allow Governments a fuller role in the process. His delegation agreed that support cost lines should be transferred to project budgets as a separate line. Transferring responsibility for funds to recipient Governments would be an incentive to more effective management. It would also dovetail with the significance accorded to national execution by General Assembly resolution 44/211.

(Mr. Akram, Pakistan)

18. In the past, 13 per cent of support costs had been used by the United Nations agencies for purely administrative purposes, while technical support had been charged to project budgets. His delegation was concerned that the agencies might be receiving more funds under the new arrangement than they had under the former system. The support costs should not become a major source of income for the agencies lest the incentives thus given them to maintain their current size should impair the objectivity of the technical advice they provided to countries in their programming exercises. The 3 per cent allocated for technical support at the programme and project levels should not become a pretext for transferring administrative costs to that budget line. Lastly, his delegation expected the June 1991 report to contain a precise definition of technical support.

19. Mr. Piriz-Ballón (Uruguay) resumed the Chair.

20. The PRESIDENT said that, if he heard no objection, he would take it that the Council agreed that a draft decision on agency support costs should be formulated through informal consultations.

21. It was so decided.

ANNUAL REVIEW OF THE FINANCIAL SITUATION: STATUS OF THE SYSTEMS REVIEW PROJECT AND THE FEASIBILITY OF DEVELOPING A COMMON SYSTEM

22. Mr. NIWA (Assistant Administrator and Director of the Bureau for Finance and Administation, United Nations Development Programme) referred to paragraph 5 of Governing Council decision 90/44, which requested a report at the current session on the status of the UNDP systems review project and the feasibility of developing a common system with the United Nations Secretariat. Since June 1990, UNDP had been carrying out an Integrated Administrative Systems Project covering the areas of finance, human resources management, travel, administration, procurement and inventory management. The project team had analysed business processes and activities in order to identify functions which could be streamlined and rationalized, forming a basis for future decentralization to the field of certain central administrative tasks. The study was also developing application requirements and logical systems designs for future implementation.

23. In the course of the project, UNDP had worked very closely with the United Nations integrated management information system (IMIS) team, initiated in 1989, in order to determine whether the IMIS approach met UNDP's requirements. The UNDP systems review project and the United Nations integrated management information system project were still ongoing, and it was not yet possible to formulate final recommendations. Another report summarizing the findings would be submitted to the Governing Council at its June 1991 session.

24. An analysis at an aggregate level had determined some potential for adopting common systems with the United Nations in the areas of travel administration, procurement and payroll. In other areas, however, the requirements of the United

(Mr. Niwa)

Nations and UNDP might be so different that a common system would not be cost-effective. In still other areas, UNDP requirements were not at all covered by the United Nations system.

25. Further detailed analysis at the micro and technological level of data and systems comparison was currently being undertaken with a view to evaluating the long-term suitability of the United Nations systems for UNDP requirements. The reviews were expected to be completed by the end of April 1991, and to result in a tactical plan for UNDP's Administrative Information Systems. The plan would include an appropriate cost-benefit analysis of the applications identified, the recommended implementation strategies, and a statement of the policy and procedural implications for UNDP.

26. It was premature to identify precise financial requirements for further development of the system or the areas it covered. The proposed biennial budget was expected to reflect more or less current levels of expenditure on information systems development, on the assumption that UNDP could use the United Nations information systems to some extent and fund other necessary enhancements from currently proposed appropriations. If, however, financial requirements for the UNDP project were to be significantly higher, a recommendation and proposal would be submitted to the Council on the occasion of the mid-year budget review in June 1992.

27. Mr. PETTITT (United Kingdom) asked whether immediate action was necessary since there were apparently no budgetary implications for the time being.

28. Mr. NIWA (Assistant Administrator and Director of the Bureau for Finance and Administration, United Nations Development Programme) confirmed that no action was necessary as yet. In June 1990 it had seemed that budgetary provisions might be required for both the UNDP and United Nations projects at the current session, but, in fact, that was not yet the case.

29. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to take note of the statement by the Assistant Administrator.

30. It was so decided.

The meeting rose at 11 a.m.